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Israel to Free 31 Shiites, Says Move Isn't Tied To U.S. Hostages

Rabin said the move was not connected to 40 American hostages held by Shiites in Beirut, and Shiite representatives said they had no plans to respond.

We are releasing 31 Shiltes, and it is in accordance with the policy

Israel has been in a quandary were how to respond to the Beirut hostage crisis, Page 2.

which was established in the past and announced in the past, an Israeli Army spokesman said. Israel is holding 766 Shiites and

other Lebanese transferred in April to Atlit prison from south Lebanon. Their release has been demanded in exchange for the freeing of passengers and crew of a hi-jacked Trans World Airlines plane. [In Washington, President Ron-ald Reagan said he had ruled out the use of a military operation to gain the hostages' release, The Associated Press reported. He also declined to draw any connection between Israel's promise to free the

3! Shiite prisoners and the hos-[On the Israeli decision to release the Shiites, he said: "I'm not going to comment one way or another on that, because we have avoided the idea of linkage there." Asked whether he had ruled out a military response to gain the hostages' re-lease, Mr. Reagan answered:

Shiite Amal militia said the release

"So far there are no plans to ease any of the hostages in re-rn," the spokesman said.

[Nabih Berri, leader of Amal; Berri was speaking in an interview network.]

heads Amai.

detainess," the militia spokesman to be interviewed.

said. "This number is insufficient In arriving at an assessment of what is

JERUSALEM - Israel an- the 10th day of a crisis that began nounced Sunday that it would free when a Boeing 727 was hijacked 31 Lebanese Shute Moslem detainees. But Defense Minister Yitzhak the first signs of movement in the the first signs of movement in the er in Beint of a plan to resolve the problem and of Swiss contacts with

> Israeli leaders have said the deainees eventually would be freed depending on the level of guerrilla activity inside Israel's self-declared

security zone in south Lebanon. The latest release of Shittes "is not linked whatsoever to the problem the U.S. and Israel and the whole world are facing today with the hostages in Beirat," Mr. Rabin said in an interview with CBS.

Mr. Rabin said the United States had not asked Israel to free the men and that they were being released after they appealed against their detention to a special committee headed by an Israeli district court judge. None of the prisoners has been

charged with any crime and the International Committee of the Red Cross has called their transfer

to Israel illegal.
In Washington, Secretary of
State George P. Shultz also played down the Israeli move, saying it



Firemen look at damage at Tokyo International Airport in Narita after a suitcase taken off a Canadian Pacific plane exploded, killing two baggage handlers and injuring four persons.

Explosion at Tokyo Airport Kills 2

TOKYO - A powerful bomb exploded Sunday at Tokyo's international airport in baggage taken off a Canadian Pacific Airlines plane that had begun its flight in Toronto, the same city from which an Air India airliner took off before crashing off Ireland, the apparent

The suitcase bomb at Tokyo's airport killed two baggage handlers and injured four persons when it

Flight 003, a Boeing 747, had land-

The plane had begun its flight at Toronto, stopped at Vancouver, and then took off Saturday afternoon for Tokyo, carrying 374 passengers, Japanese police said.
The airliner arrived about 15

minutes ahead of schedule, police

exploded in a work room about 45 explode during the flight but had minutes after Canadian Pacific failed to go off on schedule.

ulso speculated that the Canadian Pacific and Air India incidents were the work of the same person establishing such a connection. A Canadian Pacific official here said that company rules did not

329 Are Feared Dead In Indian Jet's Crash At Sea; Blast Suspected

SHANNON, Ireland - An Air India jumbo jet crashed into the Atlantic Ocean south of Ireland on Sunday, and all 329 people aboard were feared dead. Indian officials said they suspected an explosion had caused one of the worst disas-

Irish officials said the Boeing 747 had vanished from their radar screens without sending a call for help. Search aircraft and boats sent to the crash site found debris and bodies strewn across several miles

In New Delhi, India's minister of state for civil aviation, Ashok Geh-lot, said, "Explosion is considered a possibility in view of the fact that the wreckage is spread over a wide area." He added, "Sabotage is a distinct possibility."

Francis Dagama, a regional di-rector for Air India, said in London that the carrier had received "over the past few months threats of hijack, et cetera, from Indian groups, all political." He did not cite any specific group.

But a spokesman for the Canadian Foreign Ministry, Reynald Doiron, said the department had no confirmation that a bomb was involved. "As far as we know, no claim whatsoever has been made by any individuals or groups," he said.

Flight 182 was the first commercial jet to crash on the trans-Atlantic route, according to the Interna-

dia official in London, said the airline received threats

"over the past months."

Derek Menezes, Air India's manager in Montreal, said 278 passengers were Canadians. In New Del-hi, Air India officials said that many of the Canadian citizens were of Indian origin, and that the pas-sengers included 77 children and

Flight 182 originated in Toronto,

flying to New Delhi and Bombay.

At Narita Airport near Tokyo on Sunday, a bomb exploded in bag-gage taken off a Canadian Pacific Airlines jet whose flight had originated in Toronto. It was not clear whether the two bombings were re-

In Montreal, police removed three suspicious pieces of luggage from the Air India jet before the flight took off, a spokeswoman for the Transport Ministry said. She said dogs trained to sniff out explo-sives had barked at the luggage, and it had triggered metal detec-

But when the bags were checked several hours after the crash, no explosives or weapons were found in them, said Rubin Ginzburg, general manager of airports.

The United States, Britain, Ireland and Iceland sent scores of ships, planes and helicopters to the Geneva. An Air India statement crash site of the Air India jet, 120 released in New York said there miles (194 kilometers) southwest of were 307 passengers and 22 crew the Irish coast.

By mid-afternoon, 57 bodies had been pulled from the sea and were being flown to Cork Airport, Irish

Debris, in chunks no bigger than 10 feet square, was strewn in an oval several miles wide, according to a British rescue helicopter pilot. (Continued on Page 2, Col. 7)

Experts Criticize Airport Security in Athens, Beirut, Third World Nations

By Constance Rosenblum New York Times Service

NEW YORK - Airport security varies widely around the world, but a review of procedures shows that in general the methods practiced in developing countries tend to be lax while those in North America and the Communist bloc tend to

In Europe, the review shows, the major said: "I want the 700 plus." The airports usually follow a high standard of Associated Press reported. Mr. security. A notable exception is Athens, where hijackers on June 14 seized a TWA plane, some of whose passengers are still held hostage in Beirut.

The 37 passengers and three crew members are being held in unknown locations in Bernt under the protection of Mr. Berni, the Department officials and representatives Lebanese justice minister who of the international Air Transport Association and the International Federation "We had promised to release all of Airline Pilots Association. Officials of hostages taken on the plane in re-turn for the release of the Atlit the Central Intelligence Agency declined

compared with that of the detain-ees." and is not a safe sirport, the experts scribed as high in Bangkok, Singapore, stressed that the quality of the equipment and Kuala Lumpur, but the emphasis was

tor. Equally important, they noted, are samueling rather than hijackings.

In the Middle East, Beirut' is considsomel and the efficiency with which they conduct security checks and use such things as hijacker profiles to recognize

Referring often to Athens, they also emphasized the importance of airport design, particularly the way passengers are ed through a building and how tightly access to airstrips is controlled. The review showed that safety proce

dures lagged in much of Latin America. particularly Rio de Janeiro, Mexico City, and Lima, Peru, as well as in parts of Africa and the Middle East. Among airports receiving high marks

for safety were those in Tokyo, Tel Aviv. Zurich, London, and most of Western Europe. Airports in the United States and Canada are also considered highly secure.

Some of the most rigorous airport secu-rity is in the Soviet Union, China, Vietnam and Poland. Security was also de-

ered a major and persistent trouble spot, while Cairo and Amman, Jordan, are re-

hijackers around the world from 1978 to 1984, two had been on flights leaving garded as unusually stringent in security.
In general, representatives from the pi-Greece while 43 had started in the rest of

Among airports receiving high marks for safety were those in Tokyo, Tel Aviv, Zurich, London and most of Western Europe.

lots and airlines organizations agreed with the findings of the review, particularly the assessment of Beirut and Athens.

There are a very small handful of airports, perhaps half a dozen, that are of senous concern for us worldwide, not all of them in the Middle East," said Harry Attenton, director of public relations for to known trouble spots were in greatest the International Air Transport Associa-

Mr. Atterton, whose organization is the trade group for airlines that fly interna-tional routes, declined to identify specific

treatment the Athens airport was getting

now was unjust. He said that among 211

problem airports, But he said there were "one or two in Africa and in South America," adding that airports near or linked by air routes

tion.

[Evangelos Kouloumbis, a Greek government spokesman, said last week in an described as "incredibly thorough," and

become expert in this area.

Rodney Wallis, the international association's security chief, said that in such regions as Southeast Asia, preventing hijacking must compete with efforts to con-

The potential exists for attention to snnegling to detract from attention lo preventing hijackings," he said. "We musn't allow that to happen.'

indicated, Mr. Wallis said, the organizaif improvements are not forthcoming, individual airtimes might take steps to strengthen their own security as an office of the strengthen their own security as an office of the strengthen their own security as a strengthen the strengthen their own security as a strength the strengthen the strengthen the strengthen the strengthen the strengthen the strengthen their own security as a strengthen the strengthen case with TWA at Athens.

Erwin von den Steinen, of the department's Office of Aviation, praised European airports as having "a fairly consisent level of concern."

But he described Athens as having been "a trouble spot for years" and characterized Rome as having had sporadic

people can get aboard an aircraft. According to Captain Laurie Taylor executive secretary of the International Federation of Airline Pilots Association,

airport security is better in those countries in which government and industry cooperate on airport safety, such as the United States, France and Britain.
In parts of Latin America and Asia

where the level of screening may depend The association regularly receives re- on whether a flight is international or ports from its member airlines on the regional, the degree of security varies enormously, he said. He specifically said of the airports in Colombia that there was

Europe

LONDON — Heathrow Airport is consistently cited by travelers and officials as one of the most security conscious in the world. Though British officials

(Continued on Page 5, Col. 1)

Iran Adopts **Defensive War Tactics**

A 100 A 100

TEHRAN - Ayatoliah Ruhollah Khomeini has ordered his forces in the Gulf war with Iraq to switch from Iran's former "human wave" attacks across the front

Ali Reza Afshar, chief of staff of Iran's Revolutionary Guards, said Saurday that Ayatollah Khomeini had "issued an overall order for a defensive jihad.

Mr. Afshar said the paramilitary Revolutionary Guards were using special techniques similar to guerrilla warfare.
Observers said Iranian attacks in

the last two weeks seem to have been rapid, small-scale operations, sometimes capturing territory or destroying a few Iraqi military outposts before returning to base. Five such attacks have been waged recently in the southern and central sectors of the frontline be-

tween the two countries. The new technique varies greatly from the large-scale offensives launched since March 1982, where . thousands of troops were sent in *human waves" across enemy lines. FOR MOS

Mr. Afshar's disclosure was the second indication in the last week that Iran may be easing its hard-line stance in prosecuting the five-year-old Gulf war. Last Wednesday, Iran proposed that an international court be created to resolve the war. The pro-

Iranian condition for a settlement

— the removal of Iraq's president, Saddam Hussein. 5 Injured in Explosion Five persons were injured Satur-

day when a car bomb exploded in Tehrap, according to IRNA, the (Continued on Page 2, Col. 7)

By Lee Dye
Les Angeles Times Service HOUSTON - The space shuttle Discov-

names in the crew took their countrymen on televised tours of their living and working Prince Sultan Salman al-Saud of Saudi Arabia described the view from a hatch on Saturday and said, "It only shows God's might in creating all of this."

The prince told his countrymen, "When I do my prayers, I'm not able to do a complete Sujood, because it may cause sickness." The Sujood, because it may cause account Sujood is one of four Moslem prayer positions, in which forehead and nose are touched to the floor.

The prince said his first two days in space last Monday and Tuesday "were not easy"



Discovery Retrieves Satellite, Prepares to Land

Patrick Baudry, a French test pilot, showed French audiences Discovery's kitchen and the special rations, including canned lobster, ery retrieved an observatory satellite from orbit, accomplishing the final major opera-tion of its flight, and the two non-U.S. astrothat he took into space to supplement the bland fare that U.S. astronauts eat.

In Houston, Larry Bourgeois, a flight director at mission control, said Discovery's crew had "completed 100 percent of our major objectives" for the mission. These included the launching of three communications satellites, all of which were working

The only important error of the flight came. Thursday, when the shuttle was in the wrong position as it passed over a Hawaiian laser tracking station for an experiment that was part of U.S. research for a space-based mis-

The experiment was repeated Friday and

because, like half of all astronauts, he had difficulty adjusting to weightlessness. Air Force passed up an opportunity to do it Air Force passed up an opportunity to do it

again Saturday.

The main operations of the flight ended Saturday with the retrieval of Spartan, a compact X-ray observatory that Discovery had dropped off Thursday 220 miles (354).

kilometers) above Earth.

The self-contained unit, about the size of a telephone booth, recorded data from several instruments in an effort to learn more about the violent activity at the center of clusters of galaxies, and possibly about the black hole that is believed to be at the center of the Milky Way. A black hole is an extremely dense object with gravity so powerful that even light cannot escape its gravity.

Discovery, commanded by Daniel C. Brandenstein, 42, spent most of Sunday getting ready for Monday's landing at Edwards Air Force Base in California. The landing is set

West Germany to Support France On Technology Plan at EC Summit

By Henry Tanner

BONN — The government of Chancellor Helmut Kohl, ending several months of hesitation, has decided to take a leading role in favor of Eureka, the French-spon-sored project for European technological cooperation, at the European summit meeting this week in Milan, according to West German

The officials said Mr. Kohl would urge the European Comminity partners to seek agreements on specific projects in such fields as high-speed computers and micro-electronics. This would allow EC leaders to give instructions to finance and research ministers to take initial steps.

West Germany is ready to set aside significant amounts of funds if concrete agreement emerges in Milan, the officials indicated. The Milan summit meeting will take place Friday and Saturday. The government decision in fa-vor of Eureka, made Friday at a

cabinet meeting, came shortly after a West German delegation returned from talks in the United States on American research into missile defenses. The delegation was headed by Horst Teltschik, Mr. Kohl's chief adviser on foreign and security affairs.

The goal of the delegation, which included representatives of high-technology industries as well as government experts, was to explore e possibilities of West German government participation in the U.S. research. The U.S. administration has named the program the Strategic Defense Initiative, or

Mr. Teltschik submitted a preliminary report to the government Wednesday. Leading West German newspapers reported that the findings of his delegation had been inconclusive and disappointing. Mr. Teltschik and the experts

found that U.S. officials wanted

support from European governments for SDI, but that they had nology objectives of Eureka. little interest in any other European government involvement, accord-

ing to the reports. The Americans, the reports said, had only vague answers to what was a key question for many Euro-peans, the transfer back to Europe of technological expertise gained through collaboration in SDI.

The reports about Mr. Telts-

chik's impressions have not been officially denied. On the contrary, the government appears to be encouraging the impression that it is no longer considering SDI, and indeed that it has decided to help fund European efforts in weapons development as

INSIDE

Shiite Moslem forces ended their siege of two Palestinian refugee camps in the Beirut

■ President Reagan pledged to avenge the deaths of four ma-rines in-San Salvador. Page 4.

■ Israel asked to examine the evidence of Dr. Josef Mengele's death before deciding on clos-

BUSINESS/FINANCE

Japan is studying whether to allow West German banks to start trading in its securities

Rupert Murdoch is now the sole buyer of Metromedia Inc.'s television stations.

SPECIAL REPORT

Luxembourg's steel industry surges ahead, but banking enters a flatter stretch. Page 9.

It has been taken for granted, however, that several leading West German industrial companies would participate in SDI research as well as in Eureka or other European projects.

An emphatic West German endorsement of Eureka would be a victory for Foreign Minister Hans-Dietrich Genscher, who had supported the plan from the beginning and had warned against the strate-gic and technological implications of SDI.

Mr. Teltschik, the leading figure on foreign policy in Mr. Kohl's administration, had been regarded as one of the chief advocates of SDI before his return from the United

Officials stressed over the weekend that the government now was united in its stand on Eureka. The French, while continuing to

stress that Eureka was never m as a substitute for SDI, are clearly pleased that government interest in Europe has shifted to their propos-The external relations minister, Roland Dumas, put the Eureka plan forward in April, clearly be-

fore the project had been fully elaborated. It is now conceded in France that the reason for the hurry was to prevent SDI from being the only major project for interna-tional technological cooperation. The French tactic seems to have worked to the extent that Eureka provided an indispensable alterna-

tive for Mr. Genscher and others in European governments, who doubted the wisdom of SDL In spite of repeated declarations

that Enreka was meant as a purely civilian research program, it has become clear that West German and French officials also are eager to move forward, probably separately of Eureka, in industrial and research cooperation for the development of military weapons.

CLASSIEF Manual real party of the CO-IMPORT EXPORT Total Control

Israel Has Been in a Quandary on Response to the Hijacking

By Thomas L. Friedman New York Times Service

JERUSALEM - Israel has been in a quandary over how to respond in the Beirut hostage crisis. Israeli experts on terrorism believe it is an indirect result of the government's decision last month to trade 1,150 prisoners, most of them Palestinians, for three Israeli prisoners of war.

The experts say that by giving in last month to the demands of a Palestinian guerrilla leader, Ahmed Jebril, a move widely viewed here as a blunder, Israel helped to create the atmosphere in which the Beirut hijacking took place.

Now, the experts contend, Israel has been trying to compensate for this by refusing to concede to the hijackers' demands for the release of 766 detainees unless the United States formally appeals to the Israeli government to, in effect, "cave in" to the hijackers'

This has created a great deal of strain between Jerusalem and Washington, and officials here ac-knowledge that coordination between the two governments has been inconsistent and generally mismanaged by both sides.

The result, said Zeev Schiff, the military editor of the daily newspaper Ha'aretz, is that the hijackers have already won a major victory: Israel and the United States, instead of fighting the terrorists jointly, have been at odds with each other.

The connection between the Beirut hijacking and the Israeli-Palestinian prisoner exchange last month is

multifold, the experts say.

To begin with, said Ariel Merari, a leading Israeli

This is not the first time Shiites have hijacked an airplane, he noted, but this is the first time they have made demands on Israel that are so enormous. The hijackers cannot be linked with the Palestinian-Israeli

hijackers requested not only the return of 766 Leba-**NEWS ANALYSIS**

nese and Palestinians held in an Israeli prison, but also ahandonment of Israel's effort to maintain a "security zone" in southern Lebanon, as well as an end to Israeli support for the largely Christian militia called the South Lebanon Army.

"Israel has proven that it is willing to pay under pressure a price that previously would have seemed incredible," Mr. Merari said of the Palestinian-Israeli exchange. "Now, even if you just take Nabih Bern's demands for the return of the 766, it is still a much higher price than ever demanded by the Shiites. Not only can one see a link between the price demanded by the Shiites and the previous prisoner exchange for the

1.150, but also the expectation for their fulfillment." If Israel freed 1,150 Palestinian and other prisoners for three Israelis, said Mr. Merari, then "Berri can at least expect to get back 766 of his men whom Israel was planning to release anyway for nothing. Berri is saying to us and to the American public: 'Surely if Israel was ready to release so many Palestinians it could release a fewer number of our guys to save the

Added Mr. Schiff: "Most people feel that even if we Yitzhak Shamir,

expert on terrorism, there is the price the hijackers bave demanded.

This is not the first time Shiites have hijacked an an another time shiites have hijacked an another time shiites have hijacked an another time shiites have hijacked an another time shiites have hijackers know this."

However, Prime Minister Shimon Peres maintained in on releasing the 1,150. Friday that the price being demanded by the Shiite

> ings occurred before the release of the convicts from and wants to go back to the old days. our prisons. Did this prevent the hijacking of planes?"
> He added that the planning for this hijacking, "so far as we know," took place "before we released the prisoners from our jails, so there is no connection tween them."

Whether there is a direct connection or not, the Israeli public and leadership clearly believe that there is at least the appearance of a possible connection, and this has very much influenced their handling of the crisis, experts here say.

"The public repercussions of the release of the 1,150 were so unpleasant for the government that it has turned 180 degrees," said Mr. Merani. "Now it is

posing as the tough guy, saying we are not always weak, those were special circumstances."

This attitude appears to be particularly strong in Defense Minister Yitzhak Rabin, who is responsible for Israel's dealings in the hostage affair. Mr. Rabin was the focus of much of the criticism over the release of the 1,150, even though the entire cabinet voted for it

had no other choice, by releasing the 1,150 we crossed a certain threshold. Although many people here still srael's daring strike to free hijacked passengers at Americans.

"Rabin was trapped by the decision of the Shamir cabinet to begin the negotiations under certain very bad conditions," said Mr. Schiff, "He knows that as a "This is the eighth hijacking perpetrated by the result he lost the special status he had as the man who Shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe. The hero of Entebbe was trapped and any statement of the hero of the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and any statement of the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and any statement of the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and the head as the man who shiites," said Mr. Peres. "The seven previous hijack-initiated Entebbe was trapped and the head as the head as the man who shiites and the head as the head as the man who shiites are the head as the he

> "As a result he has become super sensitive about this whole issue, saying that the terrorists will not push us around and that if the Americans want us to make concessions they will have to come to us and say so out

> Some Israeli analysts believe, however, that Israel has chosen the wrong issue on which to try to win back its reputation for not giving in to terrorism. Rather than making life difficult for the Americans, they contend, Israel should be looking for every chance to coordinate with Washington to resolve this crisis in a way that will minimize the gain for the hijackers and maximize the credibility of American and Israeli counterterror policies, as well as of their alliance.

"I don't think it is very smart to make the United States have to beg or tell it to go handle its own problems," said an expert on terror. "This situation is and the unfavorable negotiating conditions had been not worth jeopardizing American-Israeli relations the work of the previous Likud government, led by over, because our two countries are going to have to stand shoulder-to-shoulder again many times in the future. The next time, it may be us who needs the

WORLD BRIEFS

Greece Reasserts Plan to Close Bases

ATHENS (AP) - Prime Minister Andreas Papandreou has announced to parliament that his government is determined to have four U.S. military bases removed from Greece by the end of 1988.

He was presenting his government's program Saturday to the 300 member parliament following the June 2 election victory of his Panhellenic Socialist Movement. His government signed a renewable five-year agreement on the bases with the United States in September 1983. The agreement allows the United States to maintain four military bases in Greece and about 20 smaller installations. It can be terminated by either

Mr. Papandreou also reasserted his intention to keep Greece out of loud. In a sense Rabin is trying to return to the Position he had before he had to yield the 1,150," Mr. alliance has continued to ignore Greece's problems with Turkey, also a

Cossiga Backed for Italian President

ROME (AP) — Leaders of the dominant Christian Democratic Party announced Sunday that they were unanimously proposing for president of Italy Francesco Cossiga, a former prime minister and now Senate

The recommendation by the party's ruling council was expected to be approved later in the day when the 365 "great electors" from the Christian Democrats voted by secret ballot on the party's nomination. Italy's president is elected to a seven-year term by 1.011 "great electors," members of the Senate, Chamber of Deputies and representatives from the country's 20 regions. President Sandro Pertini, 88, a Socialist, said he did not want to serve another term.

Leader of Canary Islands Resigns

LAS PALMAS, Canary Islands (Reuters) - The head of the Socialist

LAS PALMAS, Canary Islands (Retters) — The head of the Socialist government of the Canary Islands, a region of Spain, has resigned after opposition groups rejected the terms of Spain's entry into the European Community, officials said Sunday.

They said Jerónimo Saavedra Acevedo, president of the regional government, resigned Saturday after the Canary Islands parliament voted, 30-27, against the accession treaty signed in Madrid on June 12, on the ground that it would damage the islands' economy.

Thousands of formers in the islands have protested in recent months at

Thousands of farmers in the islands have protested in recent months at the conditions negotiated for the islands, which preserve their free-port status and other fiscal privileges but treat their rich market produce as if it came from a non-EC country.

For the Record

An East European refugee, believed to be a Czechoslovak citizen, was shot and killed Sunday by Yugoslav border guards as he tried to cross the Yugoslav-Austrian border, police said in Graz, Austria.

(AP)
Turkish Cypriots voted Sunday in elections for a 50-member partia-

ment in the northern third of Cyprus.

(AP)

Pope John Paul beatified a German monk, Peter Friedhofen, and an Italian monk, Benedetto Menni, Sunday at a ceremony in St. Peter's

The Parti Québécois on Sunday set Sept. 29 as the date for an election to choose a successor to Premier René Levesque, who has announced his resignation as head of Quebec's ruling party.

329 Feared Dead in Jet Crash

(Continued from Page 1) A oil slick snaked through the glide for a half-hour before crash-

land's Marine Rescue Coordination Center, said that the jet's flight data recorder, or "black box," had been located. He said it was under the pilot, H. S. Narendra, 57, had

2,200 feet (668 meters) of water, not radioed a mayday call. but there "shouldn't be any problem" in recovering it. The flight was cruising normally thumb on the control column, even at 31,000 feet (9.4 kilometers) and if all generator power is out, Mr. was one hour, 40 minutes away from London's Heathrow Airport when air controllers in Shannon

lost sight of it on radar. The local time was 8:13 A.M. nal of the type that is triggered

automatically when a plane hits hit the sea." Hugh O'Connor, spokesman for deadliest air disaster.

checked in six minutes earlier and

that anything was wrong," he said. Then, Mr. O'Connor said, "He just vanished off the scope. Imme-diately he was called and there was

no reply. Pilots of two other jetliners above the Air India plane were told

ing, he said in a British Broadcast-Joe Kerin, chief controller of Ire-and's Marine Rescue Coordina-He told the BBC that principal

31,000 feet, it would be able to

evidence for an explosion having caused the crash was the fact that The pilot can do that either by

voice or with a button under his Learmount said.

"A bomb happens to answer a the questions," he said. "It answers why the crew didn't have time to radio a distress signal. It answers Minutes later, two jets nearby the question why the wreckage is picked up an electronic distress sigcraft obviously broke up before it

Sunday's crash was the third

the runway of the airport at Tenerwas given clearance to proceed to ife on Spain's Canary Islands, kill-London. "There was no indication ing 582 people. In March 1974, 346 people were killed when a Turkish DC-10 crashed northeast of Paris.

Man Is Hurt in Vatican Jump Reuters

VATICAN CITY - An Italian to look out their windows. But nei-ther could see any sign of the plane, controllers said.

man stripped off his clothes Friday and threw himself from the papal altar in St. Peter's Basilica to the The Boeing 747, considered one shrine four meters (13 feet) below breaking an arm and a leg, police just one engine, said David Learmount, air transport editor of Grippo, 37, was taken to a hospital, Flight International Magazine. At where he said: "I wanted to fly."

Iran Changes Tactics in War

The agency, monitored in Cy-prus, said several people were ar-rested in connection with the ex-

Kuwait has demanded that Iran Thursday. release a Kuwaiti-registered freighter from detention, officials

officials asked the Iranian Embassy Iranian news agency, The Associatin Kuwait to communicate to Teb ran their demand for the release of the 23,800-ton Al Muharraq.

The freighter was intercepted boarded, searched and seized by the Iranian Navy in the Gulf of Oman off the Strait of Hornny last

It was carrying a load of generations from Europe when it was taken to an unknown Iranian port on the Gulf, shipping sources in

Negotiations on the release of Lebanese port city of Tyre.

it long planned to release the pris- the pullout earlier this month, but oners but would not do so in ex- 766 of 1,200 prisoners earlier dechange for the American hostages ported to Israel were not freed. without a direct request from the Of the 1,200 detainees brought to

The United States has said any 37 on April 18, 150 on May 20 and request would be a capitulation to 249 on May 29.

UNIVERSITY



DEGREE

Send detailed resume for free evaluation. PACIFIC WESTERN UNIVERSITY

600 N. Sepuivedo Bivd., Los Angeles, California

(Continued from Page 1)
would not affect the American hostages.

pected the prisoners to be freed
Monday on the coast road between
the Israeli frontier and the south Amal says Israel originally

over the issue of the 766 prisoners held in Israel since April.

The Israeli government had said anon. It announced completion of Atlit, Israel released 30 on April 11.

spokesman in Beirut said he ex-port of a four-point plan for a soluhave had with Mr. Berri.

prisoners would be released, but leased. said Israel would not undermine

Switzerland said Saturday that

Mr. Berri had told the Swiss foreign minister, Pierre Aubert, that he would be ready to take the hostages to Switzerland. But the senior Amai official, Ghassan Siblani, declined to confirm Sunday that Amal was ready to move them to A Swiss territory.

release of all U.S. hostages, fol- Former Leaders Back U.S. Former President Gerald Ford

and four other former Western leaders voiced support Saturday for the U.S. refusal to bend to the port of a four-point plan for a solu-tion and Swiss contacts with Israel ed the proposals, which it said also hostages, United Press Internation-

Mr. Ford, the chairman of a ser of Australia in a statement

Shiite Forces End Siege Of 2 Palestinian Camps

BEIRUT - Shiite Moslem forces lifted their siege of two Palestinian refugee camps over the weekend after fighting to drive out their defenders for more than a

Members of the Shiite Amal militia ended Sunday their blockade of West Beirut's Chatila camp. A siege on the suburban camp of Borge Barajni was lifted Saturday.

A Syrian-sponsored truce announced last week halted hostilities at the two camps. Nearly 600 peo-ple have died and more than 2,500 have been wounded since the Amal militia attacked the camps of Chatila, Borge Barajni and Sabra on May 19.

ly Shiite Moslem troops of the Lebanese Army's 6th Brigade, had besieged the camps in an effort to prevent the Palestine Liberation Organization from rebuilding the power base it lost when Israel in-

vaded Lebanon in 1982. Bulldozers cleared the main street in Chatila of sandbagged po-sitions and earth barricades Sunday, and witnesses said three truckloads of food donated by the UN Relief and Works Agency were

making the telephone something more than just a

communication instrument. Recently TELEFONICA

and its group of companies" have made an enormous effort in research and technological developments

business sector in Spain benefits from TELEFONICA's

moved into the camp.

tions, the Amal and the Druze Progressive Socialist Party militias and two Syrian observers.

The scene was one of utter destruction. In the maze of alleyways and low concrete buildings that make up the camps, entire streets were wrecked and spent cartridges, ammunition clips and shrapnel lit-

tered the ground. In other developments, Israeli planes drew anti-aircraft ground fire on Sunday as they flew reconnaissance runs over eastern Lebanon, but no hits were reported, according to radio reports.

In southern Lebanon, members The militia, backed by the most- of the Israeli-backed South Lebanon Army militia shelled two Shiite Moslem villages in the security zone established during the Israeli withdrawal and clashed heavily with Moslem forces east of Sidon, security sources said.

> Israeli troops ringed the Leba-nese border village of el-Tireh during the fighting and ordered residents to hand over 15 men suspected of rocket attacks on the South Lebanon Army, they added.

(AP, Reuters)



Nepalese police dressed in riot gear patrolling the main street of Katmandu after the bomb explosions.

Nepal Officials Suspect a 'Foreign Hand' in Bombings

KATMANDU, Nepal - Authorities investigating bomb explosions that killed seven persons in Nepal have found clues indicating possible foreign involvement, a government spokesman said.

"A foreign hand cannot be ruled out," Chiran S. Thapa, press secretary at the palace of King Birendra, said Saturday. He said it was felt that the planning of the bombings was "probably beyond the capability of any Nepali group or persons."
Authorities said Sunday that 130 persons

> needs of the next century. TELEFONICA is now also present in the major international stock markets. Every step TELEFONICA takes

in Spam is a giant leap for the progress of its

society. That is why in Spain there is an entire

had been detained for interrogation about the blasts that killed seven persons and injured 27 last week in Katmandu and three towns along the border with India.

Among those arrested was an Indian, Rainder Singh, who police said was stopped in the border town of Bhadrapur while carrying three bombs, fuses and batteries. Another man, a Nepalese identified as Niraj Kumar Gupta, was arrested near the border town of Janakpurdham with 56 explosive devices. Police said he confessed to being a courier for an Indian in Uttar Pradesh state.

Indian intelligence agencies were investi-gating whether Sikh terrorists helped Nepa-lese political extremists in making the explo-sives and planning the coordinated bombings, according to The Hindu newspa-per of Madras, India.

A group calling itself the Janwadi Morcha, or Revolutionary Front, claimed responsibility for the attacks in a statement delivered to an Indian newspaper, The Telegraph. The statement said the organization seeks to overthrow the monarchy and establish a democratic republic in Nepal,

Younger Chinese Named To Shanghai, Army Jobs

By John F. Burns

campaign to rejuvenate China's bu- were military academy graduates. reaucracy has been stepped up with He Qizong becomes a deputy the naming of a new Shanghai par- chief of the general staff, Zhou ty chief and the promotion of three Wenyuan becomes a deputy direc-42-year-old officers to top military tor of the general political department, and Zong Shunliu becomes a

The change in Shanghai, the deputy director of the logistics de-country's largest city and its indus-partment.

city, Rui Xingwen, was previously manders and top Communist Party minister of urban and rural con- and government officials in the struction and environmental protection, which has played a major
role in the large building program
that has accompanied the economic growth of recent years. He reic growth of recent years. He rebureaucracy. Mr. Deng. 80, insist-

pointment of a new party secretary, client Huiguang, 46, who is an engineer, in the Guangxi-Zhuang Autonomous Region bordering Vietnam, Changes in top page had change. nam. Changes in top posts had change. previously been announced for the provinces of Sichuan, Shandong officials aside, some of them into Jilin, Guizhou, Hebei, Jiangxi and retirement and others into advisory

in Beijing. At 42, the new generals cess to weed out the armed forces' are at least 20 years younger than officer corps had begun.

the men they replace. The announcement noted that in addition the Shannon regional traffic control center, said Flight 182 had 1977, when two 747s collided on BELLING — Deng Xiaoping's to their volum, those promoted

trial and commercial center, apThe government announced last
peared to stem partly from dissatisweek the appointment of nine offifaction in Beijing with the pace at cials to head ministries that play a which the city has put into effect crucial role in Mr. Deng's modernthe market-oriented policies at the ization drive. At the same time, he heart of Mr. Deng's program.

The new party secretary in the shakeout of regional military com-

places Chen Guodong.

Other reports confirmed the ap-

Tibet. Most of the new appointees are in their 40s and 50s.

The military appointments inment officials had been sent into volve positions on the general staff compulsory retirement, and a pro-

ed Press reported from Nicosia.

Iran Detains Freighter

said Sunday, The Associated Press reported from Kuwait They said that Foreign Ministry Kuwait reported.

Israel to Free 31 Shiites, Denies Link to U.S. Hostages

the Americans had broken down

An International Red Cross came amid signs of movement in



Mr. Rabin's announcement

"If Israel would come out and do

would believe that Israel has done while, said the militia had accepted it voluntarily without being asked a Swiss offer to help and the drama by the U.S. to do it." The State Department earlier

Sunday described news reports from Lebanon that the U.S. ambassador in Beirut had forwarded to Washington a four-point proposal aimed at breaking the deadlock were "purely fictitious." The respected Beirut daily An Nahar said the plan included "the

lowed by a Washington statement

condemning all violations of inter-national law, including of Leba-nese prisoners in Israel." to brief it on talks Swiss officials called for the International Red al reported from Colorado. have had with Mr. Berri.

Cross to begin talks for the release in his interview, Mr. Rabin of the Lebanese prisoners in Israel In his interview, Mr. Rabin of the Lebanese prisoners in Israel gathering of political and business would not say whether additional a week after the hostages were re-

Lebanon would impose strict seundermine the American policy of for hijacks, the paper said.
standing firm," he said. "No one A senior official of Amal, mean-

tional events, joined former Presi-dent Valery Giscard d'Estains of the U.S. policy of "standing firm against terrorism."

Lebanon would impose strict section to the curity at Beirut International Airport reinforce army deployment.

Schmidt Wood Western Chancellor Helmut. port, reinforce army deployment Schmidt of West Germany and forthere and hold talks with militias mer Prime Ministers James Callait voluntarily we practically would aimed at preventing its being used ghan of Britain and Malcolm Fra-

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AMERICAN TOPICS

Bishops' Document

Is No Dead Letter The Roman Catholic Bish-ops' pastoral letter on the American economy, whose first draft released last November was criticized by conservative Catholic last Catholic laymen as an attack on free enterprise, is still an issue. The letter, which proposes more help for the poor, including a revamped welfare system, was discussed at the national bishspilled gasoline. ops' conference in Collegeville, Minnesota, this month, The New York Times reports.

Cardinal John J. O'Connor of New York, himself a favorite of conservatives, said he wished the business community could have attended. They'd be relieved to see the integrity of the process," he said.

A final version of The Pastoral Letter on Catholic Social Teaching and the U.S. Econo-my" is expected to be voted on

Short Takes

Arkansas stocked muskrats decades ago for their valuable pelts. In the 1970s, the market faded and the muskrats proliferated, burrowing into rice paddy dikes, which drained the fields. So alligators were Now the alligator population is soaring. "Til tell you what con-cerns me," said Howard Hammans, a rice farmer in Stutteart. "What are they going to bring in to eat the alligators?"

Colleges and universities are turning away from the "grade inflation" brought on in the 1960s by student demonstra-1960s by student demonstra-tions and by young men facing the draft who pressed for better grades so they could stay in school and avoid going to Viet-nam. According to a survey of 1,600 institutions by Washing-ton State University, "we're heading back to pre-1965 grad-ing standards." ing standards."

Atlantic City keeps opening new casino botels, although the 10 already in business report a loss of \$157,000 for the first quarter of this year on revenues of \$506 million. This compared to a first-quarter profit last year of \$24.9 million on revenues of \$489 million. Expanding beyond the day-trip market of people living within 150 miles (about 240 kilometers) is difficult because the city lacks scheduled air service and an adequate convention center.

Baltimore is taking its "squeegee kids," who offer un-solicited windshield washings

solicited windshield washings at traffic lights, off the streets and putting them in "squeegee stations" set up in vacant lots. In Wilmington, Delaware, meanwhile, "gas lads" offer to pump gasoline for patrons of self-service stations. Winter is the most profitable time, when motorists like to remain in their cars. But some people are concars. But some people are con-cerned about the hazards of

Notes About People

When Jason Robards Jr. first played the part of Hickey, the hityish salesman in Eugene



Jason Robards Jr.

O'Neill's "The Iceman Cometh," off-Broadway in 1956, he was 33 but was made up to look older. He will play the role again in a Washington revival in August. Now 62, the actor said, "I'm a little old for it, but I think if I tuck in my chin, I can get away with it."

Sammy Davis Jr., the enter-tainer, says that his nearly dying from alcohol-related liver disease two years ago inspired him to "give up booze." Now he is sponsoring the Sammy Davis
Jr. National Liver Institute at
the University of Medicine and
Dentistry of New Jersey.

Todd Duncan, the original Porgy in the 1935 premiere of George Gershwin's folk opera "Porgy and Bess" and now a nt Washington music leacher, has been named the first winner of the Paul Hume Award, named for the music critic emeritus of The Washing-

— Compiled by ARTHUR HIGBEE

Soviet Embassy in Mexico Called 'Safe Haven' for Spying on U.S.

By Joel Brinkley and Robert Lindsey

New York Times Service
MEXICO CITY — U.S. officials say the Soviet Embessy here is increasingly being used to mount espionage operations against the United States and that it has become a major conduit for the illegal diversion of advanced technology to the

Soviet intelligence officers "in essence have a safe haven here," John Gavin, the U.S. ambassador to Mexico, said last week. U.S. ambassador to Mexico, said last week.

A senior Mexican government official acknowledged that there were espionage operations in Mexico City. But he defeaded Mexico's policy of permitting one of the largest overseas contingents of the Soviet intelligence and internal security agency, the KGB, to operate with virtual internation.

impunity.

Mexico, he said, is "an open country," and any country is allowed to have as many diplomats stationed in Mexico City as it

New attention has been focused on Mexico City because of the arrest of John A. Walker Jr., who is accused of running an extensive spy ring for the Soviet Union.

trip he apparently made to Mexico in 1975, co to buy advanced American technology and a senior U.S. official said the CIA and then conceal its ultimate destination: numbered by agents of the KGB and other the FBI were trying to determine what role the Soviet Union or Soviet bloc nations.

Soviet activities because they were far outliness because th

and a senior U.S. official said the CIA and
the FBI were trying to determine what role
the Soviet Embassy may have played in
Mr. Walker's activities.
So far, the official said, agents have
found nothing conclusive. But they know
that numerous Americans accessed of spying for the Russians have acknowledged
using the Soviet Embassy here to meet their
Soviet contracts. Soviet contacts.

Diplomats at the Soviet Embassy de-clined to be interviewed for this article. Mexican government officials declined to offer official comment on questions concerning the Soviet presence, although some were willing to discuss the matter on the condition that their names not be used.

U.S. counterintelligence specialists esti-mate that at least 150 KGB officers are working out of the embassy under cover as diplomats, clerks, chauffeurs, journalists and in other jobs.

manage Soviet efforts to steal American military and industrial secrets.

Many U.S. officials say they can not fully contain the Russian spy problem as long as the Soviet Union maintains a large, unrestricted espionage operation in Mexico City, less than 700 miles (1,128 kilometers) from the United States.

Mexico is an 'open country' where any nation may have as many diplomats as it chooses.

-Senior Mexican official

Increasingly, these specialists say, the KGB officers assigned to Mexico City have Mexican government allows Soviet agents received technical training so that they can to work here virtually without restraint as long as their target is the United States, not Mexico.

extensive spy ring for the Soviet Union.

Agents searching Mr. Walker's home in Norfolk, Virginia, found receipts from a called "dummy companies" set up in Mexi-Soviet spying.

Under a longstanding cooperative effort, the Mexican authorities record calls to and from the Soviet Embassy, and transcripts of the conversations are given to the CIA, according to sources in the Mexican

But American officials say they cannot rely entirely on cooperation from the Mexi-can authorities. After a recent scandal in-volving allegations of bribery and drug dealing in the Federal Security Directorate. some senior American officials are worried that the directorate has been penetrated by the KGB.

charge "preposterous."

Mexico has fewer than 50 people stationed at its embassy in Moscow. But the Soviet Embassy here, with more than 300 people, is one of the largest Soviet diplomatic missions in the world, even though Moscow has few official dealings with

Mexico. Less than 1 percent of Mexican

CIA, said such a request would be counterexports are sold to the Soviet Union.

The fundamental problem, U.S. officials say, is the Mexican acquiescence in the

Ministry official said. But Mexican and U.S. officials say anti-

Americanism is such a central part of Mex-ican political life that Mexico tolerates the Soviet espionage precisely because it irri-tates the United States. Mexico has long had cordial relations with the Soviet Union. And Mexican and American officials said the Mexican gov-

ernment believed that if it tolerated a large Soviet and Cuban presence, the Commu-nist countries would not interfere in Mexican affairs.

U.S. officials say Mexico could ask the A senior Mexican official called that Soviet Union to maintain an embassy no harse "preposterous." matic mission in Mexico.

But the United States has never asked the Mexicans to order the Soviet Union to reduce its embassy staff, several American officials said.

Richard Helms, a former director of the then ask the Mexicans to order us to reduce the size of our embassy, and you'd just end

Reagan Pledges to Avenge Marines

President Vows to Bring Salvador 'Jackals' to 'Justice'

By Gerald M. Boyd New York Times Service

WASHINGTON - President day in San Salvador.

"They say the men who mur-dered these sons of America escaped, disappeared into the city streets, but I pledge to you today they will not evade justice on Earth any more than they can escape the judgment of God," Mr. Reagan said. "We and the Salvadoran leaders will move any mountain and ford any river to find the jackals and bring them and their col-

leagues in terror to justice." He was speaking at a short cere-mony as the bodies of the marines arrived Saturday at Andrews Air Base outside Washington. The base was crowded with a mixture of families, administration officials and a U.S. Marine honor guard and band.

Among those present were Vice President George Bush, Secretary of State George P. Shultz, Defense Secretary Caspar W. Weinberger and the national security adviser, said later. Robert C. McFarlane.

The coffins of the marines, cov-

placed on separate platforms cov-ered with black cloth. could to get the unit into action," Mr. Reagan was quoted as saying.

The mannes, who were off duty at the time, were killed by men day that he was approving an emer-Ronald Reagan, in a ceremony at the time, were killed by men day that he was approving an emercharged with emotion, has pledged carrying automatic rifles in an outgency shipment of military supplies to bring to justice the gummen who killed four U.S. marines WednessSan Salvador. Seven Latin American administration review of ways to San Salvador. Seven Latin Ameriadministration review of ways to cans and two U.S. businessmen combat terrorism.

Mr. Reagan, who read from a prepared statement, appeared to fight back tears as he said:

Now today we grieve for four young men taken from us too soon. And we receive them in death as they were in the last night of their to a unit of 75 guerrillas who spelives — together, and following a radiant light — following it toward heaven, toward home."

to a unit of 75 guerrillas who specialize in urban paramilitary attacks and sabotage, according to a Salvadoran armed forces docu-

After his remarks, Mr. Reagan pinned Purple Heart medals on each coffin and greeted family and was named after a dead guer-members. Mrs. Reagan, who also rilla leader, Mardoqueo Cruz, the greeted the relatives, embraced several of them.

Mr. Reagan did not specify what retaliatory measures he might take. He talked with President José Na-poleón Duarte of El Salvador on Priday and pledged to work "in main guerrilla organization, the pursuit of the common goals we farabundo Marti National Liberashare," a White House spokesman

The spokesman said Mr. Reagan had urged Mr. Duarte to start a ered with U.S. flags, were carried special Salvadoran investigative one at a time by three marines on unit trained by the United States to each side. The coffins went through examine such incidents. Mr. "Did Ronald Reagan think that trench," it said, using the front's a corridor of marines and were Duarte should "do everything he be would come to make war in El Spanish-language initials.

Mr. Reagan was quoted as saying. Mr. Reagan announced Thurs-

■ Assailants' Unit Named Robert J. McCariney of The Washington Post reported from San

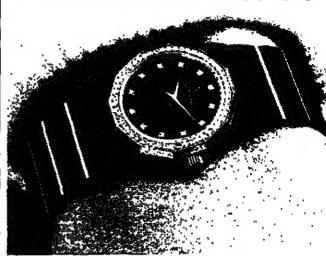
The commandos who carried out the attack on the marines belonged ment

The unit was formed last year responsibility for the attack in a communique released Friday. The statement and was endorsed and broadcast Saturday by Radio Venceremos, the radio of El Salvador's Mr. Reagan at the ceremony.

The unit is the urban organization of the Central American Revo-hold in the mountainous northeastintionary Workers' Party, which is one of the smaller guerrilla forces of the smaller guerrill in the front.



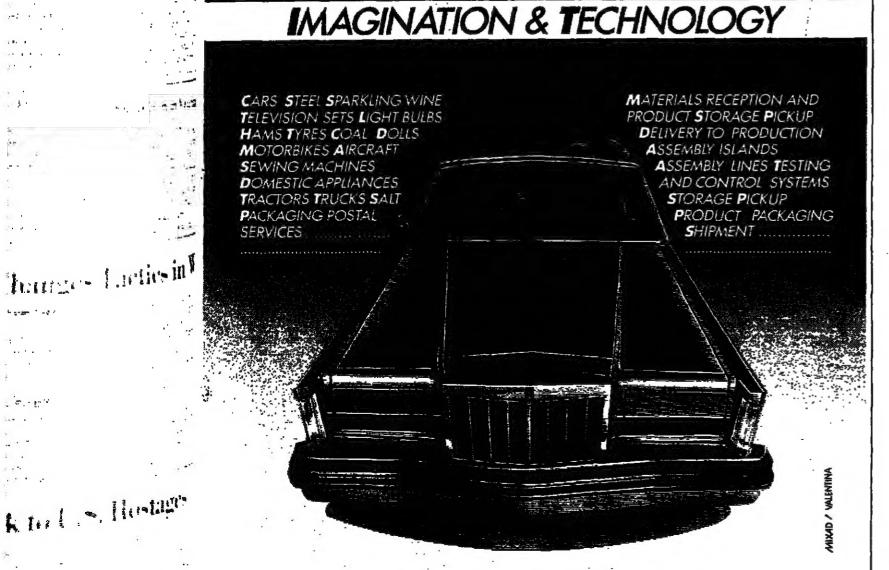
Salvador and that his soldiers were not going to die?" said the radio, which is based in a guerrilla strongguerillas of the FMLN, we salute you from this anti-imperialist



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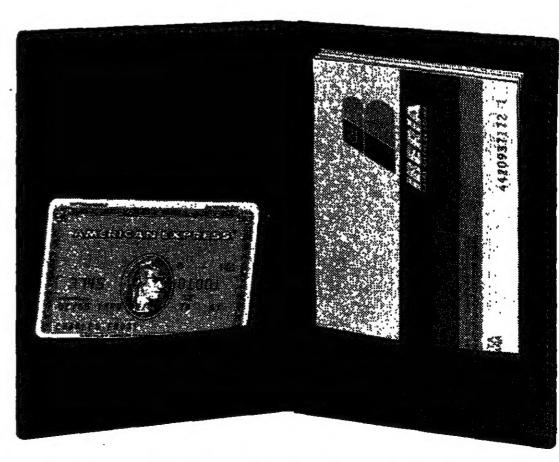
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Amid Africa Failures, U.S. Shifts Policy on Its Aid

By Norman Kempster Los Angeles Times Service WASHINGTON - When Julie Da Vanzo, a senior economist at Rand Corp., visited a governmentrun hospital in Gambia that is de-

voices and a jumble of priorities. Most of the doctors were supplied by a Chinese government aid program; they spoke only Chinese. Most nurses were locally trained and spoke English. Most patients hit the hardest. spoke only their own West African

tribal languages. A kitchen and a laundry, both built by the British, were spotless and antiseptic - and apparently seldom used. Adjoining them was an intensive-care ward so filthy, Ms. Da Vanzo said, that "you wanted to move the really sick patients to the laundry or the kitch-

The Gambian hospital is just one of a bewildering variety of pro-grams that the world's more affluent nations have used in developing

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world's poor out of their poverty. It problems of the world's poorest country's economy, and directs its India has become a net exporter of aid to countries that are prepared grain. projects where good intentions have gone awry.

The more affluent countries have spent billions of dollars in pursuit pendent on foreign aid from China of noble goals over the past decade, and Britain, she found a babble of chiefly in Africa. But Africa appears in worse shape than before. When the rains failed, people starved to death by the hundreds of thousands throughout sub-Saharan Africa, with Ethiopia and Sudan

> "It is clearly true that conditions in Africa are not better than they were 20 years ago," said Richard Derham, assistant administrator of the U.S. Agency for International Development, or AID, "It's not just the weather. There was a steady decline in per capita food production even before the recent drought"

Berg, an economist who heads a consulting firm specializing in international development, are not countries, mostly in Africa, in an sure that any approach to foreign effort to lift the poorest of the aid will surmount the formidable

"is that the game is too tough for government programs. After years of frustration, however, the United States is changing

its approach, and there are some new signs of success. The AID administrator, M. Peter McPherson, said Reagan administration officials have determined that foreign aid should not attempt to be "international wel-

The emphasis on eradicating poverty, he argued, led to a proliferation of programs. The benefits of these were outweighed by the way they forced recipient countries to waste the time of their few trained officials, who ended up attending meetings and shuffling pa-

Now, the United States concen-Some specialists, such as Elliot trates on training local specialists and running programs to adapt modern technology to the needs of the recipient countries. It also places new emphasis on building up the private sector of a given provement in the past decade, and

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"My own view," Mr. Berg said, to substitute private enterprise for

U.S. officials and some experts outside the government said that foreign aid may be starting to work in Africa. And they pointed to remarkable successes in Asia as proof that foreign aid can be effective if, as was the case in Asia in the 1950s and 1960s, it is tailored to local economic conditions and if the donors wait patiently for results.

In those years, the United States emphasized agricultural research, training local leaders and building roads, dams and other key economic and structural elements.

of that foreign aid in the '50s and was not perceived as such at the the foreigners. time," said John W. Mellor, an agriculture research economist and

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poor, mostly in remote rural areas. mostly in Africa. The World Bank and some donor nations followed the U.S. lead, producing almost a decade of programs designed to improve life in individual villages. According to AID, 362 international missions visited a single African country in We can now see in Asia that all jects, leaving the country's limited number of managers little time to early '60s was a success, even if it do much more than meet with all The result, it has been generally agreed, was a disaster.

But because the results of the

So, in 1973, Congress ordered a

complete change of direction. The United States began emphasizing

programs for the poorest of the

U.S. aid were neither dramatic nor

immediate, disillusionment began

director of the International Food
Policy Research Institute. South turn in foreign aid in the "70s," said Korea is prospering, Bangladesh Mr. Melior of the International has shown some economic im-provement in the past decade, and think that Africa has suffered sigmificantly from foreign aid over the In the view of some critics, some foreign assistance programs deliv-ered resources to the least produc-

> the land of poor farmers in villages with marginal rainfall, they said, amounted to little more than turning a garden hose on the desert. At the same time, said Raymond Love, deputy assistant administra-tor of AID's Africa bureau, the continent was receiving complex rural development projects when it needed roads and other basic facili-

tive elements of society. Irrigating

But now, the economic turnaround so evident in Asia today may be beginning to happen in Africa Officials said that aid-supported research has produced highyield, drought-resistant sorghum that could reduce Africa's grain shortage in much the same way that the "green revolution," the effort to develop sturdy, high-yield varieties of rice and wheat, increased rice ields in Asia.

The ranks of international donor suntries are growing, and Kuwait, audi Arabia, Norway, the Netherands, France, West Germany, Canada, Britain and Japan now give a larger share of their gross national products in aid than does he United States.

But the United States, which pioneered modern foreign aid with the Marshall Plan that helped rebuild Western Europe after World War month. II, remains the largest single source

and, with President Ronald Rea- considered and punished as a gan's emphasis on aiding the pri- crime." vate sector of developing nations, those terms have changed.

Opening for Talks I

Herald Eribune

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The pope gesturing during an audience with Stefan Oiszowski, the Polish foreign minister.

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Pope, Polish Minister Hold Talks; Meeting Is Described as 'Rather Cool'

By E.J. Dionne Jr.
New York Times Service ROME - Pope John Paul II has

met with the Polish foreign minister in an atmosphere that one Vatican official described as "rather Officials said Saturday that the Polish-born pope had expressed his

concern over charges brought against Solidarity activists by the Polish government and that John Paul effectively closed off the immediate possibility of improved re-lations between Poland's Communist government and the Holy See. The Vatican also announced that its secretary of state would go to Czechoslovakia and Yugoslavia

next month on behalf of the pope. The Polish foreign minister, fan Olszowski, described the talks as "frank and constructive." He said at a news conference that he did not believe the discussions had suffered from the trial of three dissidents in Gdansk.

The dissidents were charged with calling for a strike and were given sentences ranging from two to three and a half years earlier this

John Paul had expressed his an-

Mr. Olszowski had been scheduled to meet earlier with the Italian

mit Leaders Vow to Push

r an Economic Recovery

Cardinal Agostino Casaroli, the Vatican secretary of state, is significant because church-state relations there are among the worst in Eastem Europe.

Cardinal Frantisek Tomasek of Prague, 85, said earlier this year that the situation of the Roman Catholic Church was growing steadily worse and that Catholics were being "hindered, pursued and controlled."

The pope had accepted Cardinal Tomasek's invitation to attend celebrations in Czechoslovakia for the 1,100th anniversary of the death of Saint Methodius. But the Czechoslovak authorities vetoed the pope's visit.

Saint Methodius and his brother Saint Cyril brought Christianity to the Slavic countries and are especially revered by John Paul. The announcement of Cardinal

Mr. Craxi canceled the meeting to protest the jailing of the Solidarity activists.

The visit to Czechoslovakia by

Casaroli's trip and the pope's meeting with the Polish foreign minister were part of a period of intense maneuvering in the Holy See's relations with the Soviet bloc.

John Paul is planning to issue an encyclical next month expounding his views on Eastern Europe and on what he has referred to as the "artificial" division of Europe.

In describing the meeting Saturday with Mr. Olszowski, Vatican officials said the foreign minister had said that the Polish government had allowed the construction of 1,000 churches and other religious buildings in the past six years. But the pope sought to emphasize in the words of one official, "that the problem is not relations between church and state, but between the state and Polish civil-

Poland has also been seeking to establish diplomatic ties with the Vatican, but the Vatican has rebuffed the effort, saying the time is

UNESCO Board Votes of such aid. The United States continues to set the terms of international aid ger over the trial, saying that "what is regarded in Italy and some countries as a right is in other places For Limited Reforms

society.

By Paul Lewis New York Times Service

PARIS - UNESCO's executive flation to help make up the loss it board has adopted a modest set of the United States' 25-percent share changes for the organization, of the budget this year. promising a limited reduction in politically controversial activities cept France warned that this apthat led the United States to with- peared illegal under UNESCO

draw at the end of last year. The proposals for changing the conference should make a final rul-United Nations Educational, Sci- ing in October. entific and Cultural Organization tioned that the agreement represented only a first step toward the

strengthened in October when they are to be presented to UNESCO's full membership at the meeting of its general conference in Sofia.

Although the accord was greeted with relief Friday night by delegates, the closing stages of the cidents reminiscent of the practices cutting costs to make up the loss of that led the United States to leave. the U.S. share of its budget, should

Against Western opposition, eliminate politically controversial members from developing coun-tries and the Soviet bloc forced through two resolutions critical of Israel, one attacking Israeli archaeological excavations in Jerusalem and to promote governmental and the other charging suppression rights over the rights of individuals, of the cultural and educational as well as the agency's stance on rights of Arabs living on the occu- disarmament questions. pied West Bank

that be intended to use \$10 million set aside as protection against in-

Earlier, all Western members exrules, but agreed that the general

During the meeting, Denmark were unanimously approved Fri- became the most recent Western day after seven weeks of difficult government to submit a strongly negotiations. But many Western worded letter to Mr. M'Bow exgovernments immediately cau- pressing dissatisfaction with the

way the organization is run. Britain, which has threatened to kind of changes they want to see. withdraw from the body at the end Those governments said they of this year unless there were farhoped that the proposals would be reaching changes, made it clear at the end of the session that it wanted

additional changes approved at the meeting in Sofia. The British delegate, William Dodd, emphasized the need for greater "program concentration." gates, the closing stages of the The code phrase refers to Western meeting were marred by several in-

> programs. Those programs include plans which critics have described as attempts to restrict press freedom

Karl Moersch, the West German delegate to UNESCO, said that his UNESCO's director-general, Amadou Mahtar M'Bow of Senegal, also clashed with Western greater "program concentration" approved in Sofia.

Mafia Suspects Arrested[©] In Rome, Sicily Sweeps

that began Friday and continued Saturday in and around Messina, The Sicilian operation, which in-

volved hundreds of police officers who set up roadblocks and conducted house searches, followed roundups in Rome on Friday in which 107 persons were arrested. In all, 290 arrest warrants were issued in the Messina roundup against four organized crime fam-

ilies. The arrests were spurred by five Messina state prosecutors whose investigations began in De-Of the 290 warrants, 144 were ghan government forces fired 20 against persons already in prison.

der, kidnapping, robbery, drug stan province killing three civilians A statement issued by the state day. Newspapers in Pakistan said prosecutor's office in Messina said the shelling by tanks lasted 30 minthe suspects rounded up in the op-

eration on Saturday had "an orga-

New York Times Service

ROME — Italian police arrested dling drugs and homicide, with a preference for using firearms and explosive materials.

Those arrested in Rome included at least two policemen, a neo-Fascist former regional councilor and a relative of Frank Coppola, the American organized crime figure, police said.

Pakistan Says Afghans Kill 3 in Border Shelling The Associated Press

ISLAMABAD, Pakistan - Af-

artillery shells on the border town Charges in the cases involved mur- of Chaman in Pakistan's Baluchider, kidnapping, roobery, drug trafficking and attempted extor-tion and corruption. and destroying buildings, Paki-stan's Foreign Ministry said Sun-

The ministry said Afghanistan's nizational structural and operating character of clear Mafia stamp." character of clear Mafia stamp." "Their activities," the statement told that "if such attacks did not said, "were aimed at accumulating cease the entire responsibility for capital by means of serious crimes the serious consequences would including extortion, robbery, gam- rest on the Kabul authorities."

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protesting purported dumping by
Bayer of chemical waste in the
North Sea.

Bomb Blast Damages **Bayer Office** In Brussels

BRUSSELS — A bomb damaged the Belgian headquarters of Bayer AG, the West German chemical company. It caused no casual-

A previously unknown group calling itself the Peace Conquerors claimed responsibility for the ex-plosion on Saturday.

The explosion left an 80-centi-meter (31-inch) bole in the brick wall separating Bayer's building from a neighboring one, shattered street-level windows and damaged part of the entrance hall.

Telephone calls to news organizations in Brussels claimed respon-sibility for the bombing on behalf of the Peace Conquerous and cated that the action was aimed at

North Sea.
In Paris, Agence France-Presse received a letter purporting to come from the Peace Conquerors, which claimed responsibility for the bombing last Wednesday at Frankfurt airport. Three persons were killed and 42 injured in that

The letter said the bombing was a warning. It also said that the group plans to destroy a major air-

port building and a jumbo jet.
"We have decided to choose violence because it is our ultimate and only solution," the letter stated. "It does not bother us if women and children are killed. There are no



A policeman in San Francisco arrests a demonstrator protesting the University of California's decision to

review case by case its holdings in companies with South African operations, and not sell the stock outright.

U.S. University Compromises Over South African Holdings

SAN FRANCISCO — Rejecting pleas to sell the University of California's holdings in companies linked to South Africa, a divided university board of regents has voted instead to set up a committee to conduct a case by case review of its stock portfolio.

Under the compromise measure, drafted by the university's president, David Gardner, the advisory panel will judge "the quality of corporate citizenship" of U.S. companies that do business in South Africa, using as a standard selection that the companies with the companies of th motion of racial equality.

The panel's findings, announced Friday, would be forwarded to Mr. Gardner for possible use in decisions on future university investments. Mr. Gardner said, however, that only three U.S. companies whose stock is among the university's holdings would possi-bly fail the "corporate citizenship" test.

Israel Delays Mengele Decision

Case to Remain Open Pending Examination of Evidence

JERUSALEM — Israel has thanked the Brazilian authorities for the examination of a body said to be that of Josef Mengele, but it said Sunday it wanted to examine the findings before concluding he

A Justice Ministry spokesman said Israel was awaiting material from forensic experts who exam-ined the remains in São Paulo and other evidence before closing the

Scientists from Brazil, the Unit-ed States and West Germany said Friday that they were convinced that the corpse of a man who died in a swimming accident near São Paulo in 1979 was that of the Nazi

Menachem Russak, the top Nazi hunter for the Israeli police, said earlier in Brazil that he agreed with

Dr. Mengele was sought because of his responsibility for the deaths of 400,000 people, mainly Jews, at Auschwitz during World War II.

Israeli state radio said Saturday that Israeli experts had reports of him being seen alive since 1979.

In Frankfurt, the West German public prosecutor's office said i would not make a final ruling until it had examined reports from the experts who went to Brazil and compared them with evidence gathered in West Germany and

[A former Israeli intelligence chief said Saturday that he was not convinced that Dr. Mengele was dead. The Associated Press reported. "We must wait to see the official findings and not be satisfied



Romeu Tuma, the Brazilian police official in charge of the Josef Mengele investigation, surrounded by scientists and police agents, showing how photos of the Nazi war criminal were matched with a skull unearthed near São Paulo.

with the initial reports," said Isser responsible for the murders of mil-Harel, former head of the Mossad, lious of Jews during World War II. Israel's intelligence service.

[Dr. Harel was responsible for

lions of Jews during World War II. He was convicted and executed. [Mr. Harel said that if Dr. Men-

the capture of another Nazi war gele died in 1979, he believed Dr. criminal, Adolf Eichmann, in Ar-Mengele's family would have tried gentina in 1960, Mr. Eichmann was to prove it then "when the forensic kidnapped and taken to Israel, evidence would have been easier to

Experts Criticize Security at Airports in Athens, Beirut, Many Third World Nations

would not disclose any security in-formation about Heathrow, travelers say X-ray machines are used for creening and physical searches are sometimes conducted. Airport personnel are described as attentive, and access is closely controlled throughout. Domestic and international operations are kept separate, and all arrivals are separated from departures. Police officers are regu-

larly on duty.

PARIS — The essential element at Paris airports is that police officers are involved in almost all secucions and all secucions are involved in almost all secucions. rity operations. At terminals 1 and 2 at Charles de Gaulle, passengers clear passport control, then go through X-ray machines operated by police officers, sometimes assisted by hired security guards. The needure is the same at Orly Airport's international area, but a recent passenger reported that there were no X-ray machines and that band baggage was individually

International Airport is rigorous, chines and passengers pass through metal detectors. The Guardia Civil, a highly disciplined force, frequently checks passengers with handsenger departure lounge is much tighter. controlled by barricades and other devices. Direct access to the runway area appears difficult without a boarding pass. Domestic and international operations are in separate terminals, and arrivals and departures are also well separated.

WEST GERMANY - Security a taken seriously at the major air ports in Frankfurt, Duesseldorf, Hamburg, Stuttgart, and West Ber-lin, and it is considered extremely difficult to get a weapon, or any-thing that looks like one, onto a ny. Travelers say they are routinely asked to open briefcases even after they have been X-rayed, Body searches are common even after passengers walk through metal deectors. In periods of particular tension, passengers must identify their suitcases on the runway be-

and baggage is X-rayed on inter-national flights and security guards tioned on the field. Passenger are in evidence. Access to the airfield is carefully controlled, and the
staff seems trained and professional.

ATHENS—At the internation

Physical searches seem rare.

N.Y. Orchestra Cancels Greek Tour

MADRID - The New York Philharmonic, on a European tour,

Zubin Mehta, the Philharmonic's music director, and Albert K.

the cancellation as "an unfriendly act" and "an affront" to Europe. Referring to President Ronald Reagan's warning to Americans to avoid Athens Airport as a place of terrorist danger and a State Department travel advisory to that effect, Miss Mercouri spoke Saturday night of "a campaign of intimidation directed against the

Some airlines re-check passento be no easy way of getting out ing by police and airline personnel. in part because the Spaniards are The perimeter of the airfield is conconcerned about possible attacks sidered the weakest link in the airby Basque terrorists. All carry-on port's security. Recent improve-East, many believe that security

and passengers pass through metal detectors, but some travelers have found that the equipment is not highly sensitive to the presence of metal objects. Some airlines carry out their own security checks, particularly regarding carry-on baggage. Guards can be seen patrolling the catwalk that overlooks the main passenger area. The airport is well designed, preventing people from wandering about unnecessarily. flight originating in West Germa-but surport workers sometimes

ZURICH - Mr. Wallis of the international airlines group characterized the security at Kloten Airport in Zurich as "first rate." Pasfore boarding planes.

STOCKHOLM — At Arlanda

STOCKHOLM bas separate domes.

At a separate domes.

STOCKHOLM are a separate domes. tic and international terminals, all guards are in evidence, and ar-

ATHENS — At the international terminal at the Athens airport, hand baggage is X-rayed and passengers pass through a metal detector trained. Customs officers inspect tor. According to the airport com- much of the baggage that is mander, police officers are posted checked on flights. Well-armed at each station. On a recent visit, all troopers are sometimes in evidence posts were manned and workers in the airport and on the runway seemed alert, but at other times area watching aircraft. Domestic

attention has been perfunctory, and international passengers use Physical searches seem rare. different terminals. **.600,000 U.S. Taxpayers**

600,000 Americans have yet to receive overdue tax refunds because the Internal Revenue Service has cord keeping this year, but it also been unable to find their files in its created problems. At one point last the head of the IRS.

Taxpayers who have not received refunds should file duplicate rerans while the agency continues to earch its computers, IRS Commissioner Roscoe L. Egger Jr. said Fri-JJ. Pickle, a Democrat from Texas day at a hearing of the House Ways and Means oversight subcommit-

American people."

gers at the airport as they prepare controls on passenger movements to board their plane. There appears at Soviet airports would seem to by Basque terrorists. All carry-on port's security. Recent improve-luggage goes through X-ray ma-ments have been made in the tional security. All luggage is Xfencing, and tighter security mea-sures are planned. In view of the metal detector, and some are airport's proximity to the Middle searched. Police officers, soldiers, held detectors. Access to the pas- measures in Athens should be much in evidence.

> ROME - At the international airport, hand-baggage is X-rayed

sengers are checked with a hand-held metal detector, and

paid eventually, perhaps by the end

New computer equipment worth

\$103 million modernized IRS re-

month, more than 1.1 million re-

funds reportedly were unpaid.

Mr. Egger said most of the computer problems playing the IRS this tax season have been cured. He

and chairman of the subcommittee,

They're in the file somewhere.

that the tax returns were lost.

Still Owed Refunds by IRS

WASHINGTON - As many as of July.

Sarch its computers, IRS Commis-

He said all refunds would be Mr. Egger said.

canceled performances in Greece, scheduled to begin Sunday, be-cause of a State Department warning against flying into Athens. The State Department issued the warning four days after two Shiite Moslems boarded a Trans World Airlines plane in Athens and

Webster, the general manager, said that the decision to cancel the trip was made Saturday morning after many of the 175 players and staff members on the tour said they feared for their safety.

In Athens, the Greek minister of culture, Melina Mercouri, assailed

SOVIET UNION - The strict tempts, usually by people trying to leave the country. At international airports, procedures are tight, and plainclothes officers are very

Middle East

TEL AVIV - Ben Gurion International Airport is regarded as one of the world's most security conscious, with unusually thorough and time-consuming procedures. Arriving passengers are interviewed by officers who examine their luggage, sometimes item by item. After going through passport control, passengers and their lug-gage are X-rayed. Physical searches take place when there is cause to suspect a traveler.

Security personnel are trained to ecognize what are known as hijacker profiles. Access to the departure lounge and the runway area is strictly controlled. Domestic and international flights are separated as are international departures and arrivals. Police and security guards are conspicuous. El Al, the Israeli national airline, provides its own supplementary security checks in airports abroad.

AMMAN - Queen Alia International Airport, which opened in 1982, was designed with air piracy in mind. Only ticketed passengers may enter the upper deck, where departure lounges lead directly to docking gates. Terminals have at least two screening points, and armed police officers are conspicuour. Passport control is computerized, and airport personnel are familiar with terrorist profiles.

CAIRO - Security is extremely

tight at the two main terminals of Cairo International Airport, All movement between departure areas and planes is by bus, and no passengers may walk on the runway area. Police officers screen passports and tickets. Before entering the departure area, passengers are screened again by electronic gates, and hand luggage is X-rayed. A third screening, which involves a physical search and the opening of carry-on luggage, occurs in the de-parture lounge, where police officers abound. Armed officers guard each aircraft day and night. Mr. Wallis praised "the high level of awareness about security.

Africa

NAIROBI - At Jomo Kenyatta Airport, luggage is X-rayed, and attendants often inspect carry-on luggage by hand. A hand-held metal detector is also used on passengers. Access to the departure lounge and the runway area is closely controlled. Police officers

Asia

INDIA — All major Indian air-ports use X-ray machines, and pasngers are searched upon entering the departure lounge. Access to de-parture lounges is closely con-trolled, and metal detectors are used when passengers leave the transit area to board planes. Carryon luggage is searched, and entrances to check-in areas are guarded by armed police. The New Delhi airport has separate buildings for international arrivale international international arrivals, international

departures, and domestic flights.

BELJING — There is a single "choke point" between the checkin area and the aircraft through which all departing passengers go.
All hand luggage is X-rayed and
much of it is opened. After passing
through a metal gate, passengers
are often searched with a metal
desertor. Every flight carries securidetector. Every flight carries securi-

TOKYO - Security at the new international airport at Narita is among the tightest in the world. About 1,500 police officers and 400 civilian guards patrol the grounds. The airport is surrounded by barbed wires, steel barricades, and electrified fences, aimed not specifically at would-be hijackers but at local people who have protested the construction of the airport. Since it opened in 1978, there have been no miscking attempts.

At the entrance to the ticket counters, officers run hand-held metal detectors over baggage to be checked. This baggage is X-rayed again before being loaded onto the plane. After immigration checks, passengers must have their handheld luggage X-rayed and must pass through metal detectors, and nearly everyone is physically

SEOUL - Kimpo International Airport is unusual in that even passengers on arriving flights must walk through metal detectors and have their hand baggage X-rayed. BANGKOK — In Donmuang Airport, the busiest in Southeast Asia, security is unobtrusive but appears very efficient, although actual searches are ture. In these respects, the airport is typical of others in the region. In the departure lounge, passengers go through X-ray and metal detector equipment when a flight is called, although passengers from several flights can mix in the areas beyond the detectors. Access on the runway area is strictly controlled. Airport person-

nel seem competent and alert.

KUALA LUMPUR — The airport in Malaysia's capital is alone in the region in X-raying all baggage of passengers entering the ter-minal building even before checkin. Hand baggage is X-rayed and subject to an additional search before the passenger boards the plane. Domestic and international flights are strictly separated.

SINGAPORE — Only Singa-

pore Airlines requires all baggage to be inspected on entering the building. Although access between arrivals and departmes is easier detection devices are situated at the gate of each flight's boarding lounge. The airport is spacious and never crowded, so personnel can easily observe the proceedings. JAKARTA - In April, a new international airport opened at Cenkareng outside the city. The layout, with a series of pavilions

able to unauthorized entry. Luggage is examined only once. Latin America RIO DE JANEIRO - At Ga-

kao Airport security is lax, as it is

in most of Latin America, although there have been almost no hijack-

ings in the region in recent years.

connected by open walkways, probably makes the airport vulner-

screened by X-ray devices on international flights, but not for domes-tic flights. The police presence is minimal. In addition, although international and domestic departure lounges are different, it is easy to move from one to another. Mr. Taylor of the pilots' association said, 'The level of security varies

LIMA — At Jorge Chavez Air-port, X-ray machines are used for international flights but not for do-mestic flights, despite Peru's guer-rilla war. There is more of a military presence here than in Rio de Janeiro. As is true elsewhere in the region, drug smngglers are the main target of security.

MEXICO CTTY - At Benito Juarez airport, security is minimal, and officials allow almost anyone with a serious-looking credential to accompany departing passengers or await arrivals at the door of the

MANAGUA - Security proce-International Airport are much tighter than at other Central American airports. Plainclothes police officers patrol waiting areas. All baggage is searched. Armed soldiers patrol the runway area.

North America

NEW YORK - "We have no questions about its safety whatsoever," Mr. Wallis said of Kennedy International Airport. Along with the usual metal detectors and X-ray machines, there are alarm systems to detect intruders, and uniformed and plainclothes officers are in evidence. Special badges and license



A barmer in the departure lounge at the Athens airport protests Ronald Reagan's advice to Americans to avoid using the airport because of what he said was inadequate security,

YOU MEAN, AR-

plates are among the devices used provided by private companies em-to keep the airfield secure. ployed by individual airlines and Miami, he added. MIAMI - At the international by Dade County, which has a 120-

OTTAWA - Security at Canaairport, passengers appear to be member police force covering the dian airports is virtually identical screened thoroughly by X-ray ma- airport. Because of Miami's prox- to that of the United States. X-ray chines and metal detectors, but imity to the Caribbean, the compa-machines are used to screen all carthey move quickly through the nies give their personnel special-checkpoint — at the rate of less ized training, an airport official walk through a metal-detecting de-than 20 seconds each. Security is said. In the last 12 years only two vice. Police are on duty.

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Who Combats Hijacking?

for the most part effectively and well within the tolerances of a free society. You X-ray all carry-on luggage. You walk all passengers through metal detectors. You credential and control all airline and airport employees.

Hijackings still occur, there were five of U.S. commercial flights last year. One originated in Haiti, another in the Virgin Islands. Those were the only two on which the hijackers turned out to have guns. The armed Haitian was an airport security guard; the hijacker from the Virgin Islands was a prisoner being brought to the United States. There were 1,632 firearms detected at screening points in just the last half of last year, and 720 persons were arrested for carrying firearms.

There is no known acceptable way to prevent hijackings entirely. It may well be harder to prevent them in some other places than in America, But is it that much harder? In some countries, at some airports, security is apparently weak because the authorities are indifferent. That seems to be the case at the airport in Athens, the last stop of the TWA flight before it was hijacked by two men on June 14.

Both men had guns. How the guns got on the plane is not known. The passengers had to go through two checkpoints before boarding the plane, one run by the airport and one by

The people who run the world's airlines and airports know very well how to thwart hijackings. It has been done in America for 12 years, X-ray machine and metal detector are properly functioning and properly manned.

The Athens airport is notorious for lax security. In a formal representation to the Greek government in February, the United States listed 26 ways in which the airport fell short of international security standards. President Reagan was right to say in his news conference this week that the Greeks bear responsibility. The U.S. Transportation Department is now deciding whether to do more than warn U.S. travelers not to use the Athens airport. It has the power to keep U.S. carriers from stopping there. The department is also reviewing its judgment as to other dangerous airports.

Meanwhile, in Congress there has been another rush to put armed marshals on airliners, as was done briefly in the early 1970s. A lot of experts wince at this. They do not oppose selective use of marshals on flights thought to be especially vulnerable, but they are leery of the idea of gunplay at 40,000 feet. They imag-ine unarmed hijackers' somehow threatening other passengers to make armed marshals turn over their guns. Their basic view is that the fewer guns in the air, the better.

A limited number of marshals may help, but the main answer lies with the governments that run airports. The first responsibility is theirs. - THE WASHINGTON POST.

Yes, a Procedural Error

The "star wars" defense program has got off to a rocky start. Its first test on board the space shuttle sent the craft right through a mountain 10,023 nautical miles (18,600 kilometers) high. That is a bad augury for a defense that must

work perfectly the first time it is used. Luckily there are not too many 18,600-kilometer-high mountains on Earth, and the shuttle is still in free orbit. Mount Abrahamson, it might be called, after the "star wars" director, Lieutenant General James Abrahamson. It is an imaginary construct, created by a computer's misinterpretation of a human order.

The "star wars" command had planned to shine a laser beam from the Hawaiian island of Mani, bouncing it off a mirror in a shuttle window. The goal, doubtless intended to influ-ence congressional handling of the "star wars" budget, was to test a means of correcting the atmosphere's distortion of laser beams. That would let a ground laser zap a missile in space - if the Russians refrained from attacking on a cloudy day. But the shuttle passed Maui with its mirror pointing up instead of down.

The intrepid star warriors forgot that they had programmed the shuttle's computer to

The shuttle had to point to a laser station that stands on a volcano 10,023 feet (3,055 meters) above sea level. No one thought to convert that figure into nautical miles, so the shuttle's computer assumed that it had to point to a mountain 10,023 nautical miles high - far higher than the shuttle's orbit - and turned the craft mirror-upward. None of the crew realized in time that they had flipped wrong-side-up. "If your car doesn't start in the morning," huffed General Abrahamson, "does that mean 'star wars' isn't going to work? There's no logic to it. We had a small procedural error."

But there is a deep logic. The error that created Mount Abrahamson is exactly the sort that riddles complex computer codes and can take many trials to eliminate.

A "star wars" strategic defense system would depend on computer codes more complex than any yet written. But the system could never be fully tested, since it is impossible to mimic a full-scale Soviet strike. That is why the "star wars" concept is as solidly rooted in reality as the imaginary mountain.

- THE NEW YORK TIMES.

War on Narcotics Traffic

A fundamental and distinctive rule in American society is that the military should not be used to enforce the law. That limiting tradition is as important to the military as to citizens concerned with civil liberties. The few familiar exceptions come in times of great duress: to patrol after natural disasters, to put down riots, the occasional use of troops in the 1950s and 1960s to enforce civil rights. Now there is talk of a new exception: expanded use of the military to block drug traffic into the United

States, particularly from Latin America. Admiral James D. Watkins, chief of naval operations, reports that the Joint Chiefs of Staff have unanimously recommended it. If the producing countries were willing, the services would help them train teams and lend or sell them equipment to suppress production. U.S. planes and ships would also step up surveillance — the services already do some, as adjuncts to the Coast Guard — to block the

shipment of drugs. "It could be a rallying point for this hemisphere," the admiral said.

It is a tempting idea. Drugs are a curse, and law enforcement agencies lack the resources to do much more than nick the trade. It would help enormously to have the military - and foreign governments - actively on their side. The dollar cost to the military would be relatively low. The surveillance would be good

to detract from other military missions.

The problem would be to keep it that simple. Drug interdiction should not be intertwined with other issues. Admiral Watkins suggested that the drug trade was helping to finance leftist insurgencies in the Western Hemisphere, making the trade "a national se-curity problem" and so a legitimate target for the military. There is no need for that kind of coloring; the drug trade is bad enough on its own. Whatever the military is asked to do about drugs ought to be kept separate from what it is asked to do in other areas.

A second complication involves what the military would do. The chiefs would have the military act only as a kind of spotter for law enforcement agencies. Others think the navy should actually stop, search and seize; a pend-ing amendment to the defense bill in the

House would empower it to do so.

That, too, is tempting, but the proposal has not been thought through. Against whom would the military use force, under what rules, in what places, on what legal grounds? Good answers are needed before Congress votes. The reason the amendment is attractive is that the military is so powerful. That is precisely the reason why the military is so sparingly used.

- THE WASHINGTON POST.

Other Opinion

Turning a Blind Eye to Uganda

Britain is now the only member of the Commonwealth still willing to keep a military train-ing mission in [Uganda]. Of course, the North Koreans are also instructing the Ugandan army; but their reputation for brutality gives little hope for improved treatment of innocent civilians. As the former colonial power we have a particular duty. [Foreign Secretary] Sir

Geoffrey Howe should tell [President Milton] Obote that it is impossible any longer to turn a blind eye to so much evidence of torture, rape and murder. This message must not be diluted for mere commercial considerations. Unless Kampala offers an acceptable response, including a readiness to punish the known perpetrators of these atrocities, Britain should pull out its military mission and cancel all aid. - The Observer (London).

FROM OUR JUNE 24 PAGES, 75 AND 50 YEARS AGO

1910: How New York Got Cocktails NEW YORK — Broadway and the Bowery have welcomed Harry Johnson, who won fame many years ago by introducing New York to the cocktail and the mint julep. He is here from Berlin to visit relatives and friends. "Brandy, gin and Jamaica rum were the popular drinks of the day when I opened the 'Little Jumbo' in Grand Street, back in the latter seventies," Johnson said. "It was here that I first made the gin sour, the mint julep and the cocktails, Mixed drinks were unknown in New York then. It was in the little saloon there that 'Boss' Tweed drank his first mint julep and Horace Greeley sipped his first cocktail." Mr. Johnson

is now nearly seventy years old.

1935: The Loch Ness Monster at Tea LONDON - In far off Inverness-shire the Loch Ness monster became active again [on June 23] to show his appreciation of the sum-mer weather. He was seen at Halfway House, near Invermoriston, by sixteen persons, mostly tourists having tea at the time. George Sutherland of Edinburgh, one of the witnesses, said that the proprietress of Halfway House called out: "There's the monster!" Everyone rushed out and saw part of the creature's back as it emerged from the bay and made its way across the lake. It moved about for twenty minutes before it disappeared. "I can't say what it was." Sutherland said. "but it was a living

creature. It was no hallucination."

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Shia Fundamentalism: A New Force to Reckon With

ANN ARBOR, Michigan — Soon after American hostages were taken at the U.S. Embassy in Tehran in 1979, President Carter summoned R.K. Ramazani, a professor at the University of Virginia and America's leading expert on Iranian foreign policy, to a meeting in the Oval Office. Repeatedly Mr. Carter emphasized that the United States was not in conflict with Islam, only with the Iranians.

Mr. Carter was right in recognizing the problem, but events have shown that separating the two is not so easy. In Islam, politics and religion are inseparable. And in the late 20th century the Islamic fundamentalism preached from Iran has become a potent force for discontent

and revolution throughout the Middle East.
That force is behind the hijacking of TWA
847, as well as the earlier bombings of the
marines' compound and two U.S. Embassy premises in Beirut and the American mission in Kuwait. U.S. diplomats throughout the region now work behind tank traps and machine gun emplacements in diplomatic fortresses. U.S. citizens often live as recluses.

Five months after the 1983 bombing of the marines' compound, Marvin Zonis, director of the Middle East Institute at the University of Chicago, spoke on "The Psychological Roots of Shiite Terrorism" at a State Department seminar. "The message from Iran — no matter how bizarre or trivial it sounds on first, second, fourth or 39th hearing — is in my opinion the single most impressive political ideology which has been proposed in the 20th century since the Bolshevik revolution," he said. "This powerful message will be with us for a very long time, no matter what happens to Ayatollah Khomeini."

By Robin Wright This is the first of two articles.

by Shirte fanatics was just one of many indica-tions that resolution of the immediate hijacking ordeal will not mean the end of the U.S. conflict with Shiite militants in Lebanon or elsewhere.

In effect, the United States is engaged in a war, perhaps the most trying and unconven-tional conflict it has ever faced. The opposition is amorphous and diffuse, often without identifiable leaders, members or headquarters.

It is tempting to want to strike back, to confront attackers with conventional military force. But the nature of this war is such that it is not against a state or an area with borders, against which it would be easy to launch air strikes or land assaults. America's foe is a religious movement whose foot soldiers are not confined to a single country or sect.

Yet a state, Iran, is the locus of the acts that are so disturbing to the United States.

In 1983 Washington officially labeled Iran a

primary sponsor of state-supported terrorism. It is more accurate to call it state-inspired, for the Islamic Republic's main role is as a model and catalyst. But, beyond the theological and intellectual ties. Shiite fanatics in Lebanon and

elsewhere do have visible links with Iran. Several leading Lebanese mullahs travel reg-ularly to Tehran. The Iranian Revolutionary Guards stationed in Lebanon's eastern Bekaa valley since 1982 have provided material and political support for the burgeoning extremist factions. Dozens of young fighters from differ-

The killing last week of yet another American ent groups have received military training at camps scattered throughout Iran. Among them is the current military chief of Lebanon's Amal movement, a youth who between 1979 and 1982

hijacked six planes traveling to or from Libya. Yet neither the Iranian revolution nor the subsequent war would have happened if there had not been deep-seated antagonism toward the United States. Islamic fundamentalists feel they have not started the trouble but have responded to an opponent who, they feel, started it. Their extremism is not for love of violence. Their revolution is against what they feel is foreign domination and encroachment in every aspect of their lives — symbolized most

often by the United States. One point of consensus among the disparate Shiite groups, who are often in disagreement on other major issues and tactics, is that they see themselves as having lived under the heel of the United States for 40 years — since America became the main influence in the Middle East. An oft cited American intervention is the CIA assistance to the shah in 1953 in the

overthrow of a nationalist movement led by Prime Minister Mohammed Mossadegh, who had been successfully undermining the royal family's then fragile position. Nationalists and Shitte fundamentalists came to share a common resentment of what they saw as the shah's servile attitude toward the United States. The United States is criticized by militants

for trying in the 1960s to manipulate coups in

Syria and for backing a corrupt king in Libya. In the 1980s, U.S. troops and warships went on the offensive for the first time since Vietnam against Moslems. Firepower was used not because American lives were endangered but to protect a minority government in Lebanon, one of the Arab world's few democracies.

America was implicated after a bombing in March near the home of one of Lebanon's most militant Shirte clerics; more than 80 people died, but not the cleric. The bombers reportedly

had ties to a group being trained by the CIA.

The long record of fears and suspicions about American intentions in the region was reflected in a manifesto of Lebanon's Hezballah, or Party of God, released a month later: "Iman Kho-meini, the leader, has repeatedly stressed that America is the reason for all our catastrophes and the source of all malice. By fighting it we are only exercising our legitimate right to de-fend our Islam and the dignity of our nation We have opted for religion, freedom and digni-ty over humiliation and constant submission to

America and its allies."

A member of Hezballah said in an interview shortly after the bombing of the second U.S. Embassy annex in Beirut last September: "We aren't against the American people. We are against oppression and injustice. The fire of Islam will burn those who are responsible for these practices. We have been dominated by the U.S. government and others for too long."

U.S. foreign policy in the Middle East emphasizing the security of Israel is also a major cause of the militants' wrath. But the militants' reaction to the United States is probably linked more to American policy on other Islamic issues over the past 40 years than to U.S. positions on the Arab-Israeli dispute over Palestine. Indeed, for more than a month before the TWA bijacking, Shitte militiamen were engaged in bloody clashes with Palestinians. The Shites' desire for the return of historic Jerusa-

tem is primarily because it contains the third holiest site in Islam, and less because the Pales-tinians want a homeland. Settlement of the Palestinian question would probably not end the fundamentalists' anti-American crusade. Nor would dispatching troops or conquering territory end the conflict. The extremists are

now simply too spread out and too numerous now simply too spread out and too numerous for this war to be ended by conventional means.

But the hijacking of TWA 847 could serve as a turning point for U.S. policy to end a conflict that is taking a mounting toll in American lives. The Reagan administration must use extreme caution in analyzing which of three main policy options it adopts: force, sanctions or rapprochamment Otherwise the United States. prochement. Otherwise the United States may face an escalation that will make the recent wave of bombings, kidnappings and hijackings

seem small-scale by comparison.

Since the attacks began, U.S. policy-makers, seem to have seen only the violence in the extreme fundamentalist movements, and not the political and social roots. And the Reagan administration, perhaps backed by an angry public, now seems intent on sending a message to the militants and their sponsors by using

force — probably a quick, supposedly surgical strike after the hijacking is resolved. What has made Iran such a frustrating conundrum to American policy-makers is the perception that it acts on the basis of passion rather than thoughtful policy. Ironically, the Reagan administration may be in grave danger of succumbing to the same emotionalism that it

Use of force, the first policy option, is likely to be catastrophic in the long run for the United States for three reasons. Contrary to publy hopes that it would cripple or discourage the movement, use of force against the Shiite crusaders would fuel their resentment and commitment, providing new reasons for seeking revenge against the "Great Satan," as well as creating an even more hostile anti-American atmosphere, thereby attracting new recruits. The Shiite extremist has become a Hydra. Kill one, and two appear in his place.

Sunday Times in London, is the author of "Socred Rage: The Crusade of Militant Islam." She contrib-used this comment to The Washington Post.

America Is Usually Surprised

By James Reston

W ASHINGTON — A surpris-ing thing about this revolu-tionary age is that the American people and their government are so often surprised by events abroad. The seizure of an American airliner and 40 U.S. citizens by Lebauese Shiites brings merely the latest evi-dence that Americans are often out of touch with the violent forces that threaten their security and the order of the world.

The record is clear. It was not conceivable even in the midst of the last world war that Japan would attack Pearl Harbor and sink most of the U.S. Pacific fleet at anchor. Even General George C. Marshall couldn't believe it.

America was surprised again when China swept across the Yalu to meet General Douglas MacArthur's troops when they crossed the 38th parallel in Korea and ap-proached the Chinese border. (It is seldom remembered that in that crisis President Truman seriously dered using atomic weapons

to avoid a military disaster.)
President Kennedy was not only
surprised but humiliated by his Castro government at the Bay of on were sure that although the between Israel and the Shiite Vietnamese Communists had ex- which he is not responsible. pelled the French they could not possibly hold out against the modern weapons of the United States.

of Europe or their strides from is- to say that shooting back at terror- world's population, but in general

"contras." This will not end the

crisis but only make matters worse.

Rather than engage itself fur-ther, economically or militarily, the best course for Washington is to

stand back from the conflict, en-

courage political dialogue and sup-port Latin American countries in

their effort to prevent regional war.
My experience as a former rebel

leader has convinced me that the Nicaraguan Democratic Force

cannot contribute to the democratization of Nicaragua. The rebels are in the hands of former national

guardsmen who control the "contra" army, stifle internal dissent and intimidate or murder those who dare oppose them. And the rebels have been subject to manipulation by the CIA, which reduced it to a front organization.

For example, in January 1984 after the CIA mined Nicargua's harbors. I was awakened at 2 a m

harbors, I was awakened at 2 a.m.

at my "safe house" in Tegucigalpa by an anxious CIA agent. He hand-

ed me a press release written in perfect Spanish by CIA officials. I

was surprised to read its claim that the Democratic Force had laid the mines. I was told to read this an-

nouncement on our clandestine ra-

dio station before the Sandinists

broke the news. Of course we had

no role in mining the harbors. Two months later, when a Soviet

ship struck a mine, the same agent

appeared. Out of fear of creating

an international incident, he or-

Yet President Reagan has per-

suaded Congress to aid the "con-

tras." The message Congress sends is that a political solution is not

possible and that the Sandinists

will respond only to military pres-

sure. The legislators who voted for

the aid are mistaken. There is still

time for a political resolution, but

not much. These steps are needed:

A political dialogue is the first

dered us to deny that one of "our"

mines had done the damage.

Japan in the last world war, but since then the American record of dealing with nationalism, factionalism and religious fanaticism in the Third World has been not only painful but embarrassing.

Jimmy Carter, a deeply religious man, was summed and finally defeated by Ayatollah Khomeini and his religious thugs, who defied U.S. power and held U.S. diplomats captive for more than 400 days.

President Reagan, who con-demned Mr. Carter for his pa-tience, has been astonished by the destruction of his embassy and the bungled attempt to overthrow the murder of hundreds of U.S. marines in Beirut, and now by the Pigs. Presidents Johnson and Nix- capture of Americans in a dispute between Israel and the Shiites, for

n weapons of the United States. this madness and mockery of the but intellectually still longing for Nobody has ever questioned the United States. In the most painful an isolationist world that is gone. valor or military genius of the presidential news conference in re-American armies in their invasion cent memory, he had the courage of 67 countries and one-fifth of the

abolition of the "contra" army.

By urging the rebels to lay down their guns, the United States could support a policy of national recon-ciliation that would strengthen the

moderates and pragmatists and

weaken the extremists and ideo-

logues on both sides. Moderate po-litical leaders should not be en-

couraged to leave Nicaragua to join the "freedom-fighters." It is

the moderates who are most capa-ble of engaging in dialogue.

Military pressure inflicts suffer-ing on the people, leads to further

ing on the people, leads to turther political polarization and increases the danger of military escalation. The present policy of applying pressure to the Sandinists until they "cry uncle" grossly underestimates Nicaraguan self-esteem. A revolution based on national pride and dignity will never "cry uncle"

and dignity will never "cry uncle."

• The Reagan administration

should give more than lip service to the Contadora initiative, which

still presents the best option for achieving a lasting political solu-tion. Nicaragna is a Latin problem best solved by Latin leaders.

The funds voted by Congress are just another vehicle to prolong this

war. The only assistance worthy of

the name "humanitarian aid" is

What we must do is recognize the good that has come from the

revolution. It has brought a sense

of dignity and independence to the people. The Sandinists' concern for the poor cannot be faulted. Like-

wise, there are some democratic

leaders associated with the "con-

tras." The challenge is to bring

together the good on both sides, with minimal foreign interference. Nicaraguans must find their own solution. We are the ones who

ultimately must live together. But

the Sandinists will not talk to the

"contras" as long as they are per-

The New York Times.

ceived as Mr. Reagan's army.

help for victims on both sides.

The 'Contras' Are Losers

In the New Nicaragua

By Edgar Chamorro

The writer left the rebel Nicaraguan Democratic Force last November.

KEY BISCAYNE, Florida — priority. Past proposals for dialogue have been delivered as ultimatums and so were unacceptable. The first step toward national reconciliation and dialogue must be

land to island in the conquest of ists be could not identify, at the risk of killing innocent people, would by itself be an act of terror. Still, we have to wonder why, from administration to administra-

states is constantly taken by sur-prise in a world it is trying to help but does not quite understand. Angered by a hijacking. Washington is trying to deal with a world it knows little about, think-

ing it is dealing with the liberation of a plane and its passengers when it is up against not merely terrorists but a struggle for power in the Arab world and a clash of philosophy about nothing less than the meaning of life, here and hereafter.
Stumbling into this, Americans even at the top of the government are startled. Americans are still Mr. Reagan deserves credit for innocents abroad, physically the holding his fire so far in the face of most mobile people in the world

the Western democratic nations have managed to ignore it.

As for the Shiites - a minority of about 15 percent of the world's Moslems, most of them living until recently in misery and meditation, refugees in their own countries—few members of the U.S. Congress, the Reagan cabinet or the press in Washington had anything but the vaguest notion of them until Aya-tollah Khomeini kicked America out of Iran and provoked the Shiites in Lebanon to violent resentment and terrorist action.

This opposition in the Middle East is part envy and part fear of the materialism and self-indulgence of the Western democracies, part anti-Semitism and hatred of Israel as an ally of America. Americans are not likely to understand all these tangles unless they recog-nize that they are not the fault of "Jimmy Reagan," as The Wall Street Journal mockingly calls him. but the result of centuries of hu-

man conflict and stupidity.

Israel Has Cause to Get Out of Lebanon

JERUSALEM — The TWA hi-jacking and an earlier hostage in-cident this month involving United Nations troops in southern Lebanon have a common backdrop — a con-tinued involvement north of the border by an Israeli army that was officially withdrawn from Lebanon.

Israel's determination to exercise

military control over a piece of its northern neighbor's territory, a so-called security zone extending up to 10 miles (16 kilometers) beyond the border, has been controversial among leading from the start Israelis from the start.

It means supporting a Christian-dominated Lebanese militia as a proxy in the region, supplying it with money, arms and advisers although it is despised by the Shia Moslem ma-jority in the area. It means maintain-ing an unspecified number of security agents in the zone. And it means free movement of regular Israeli army pa-trols back and forth across the border

irols back and forth across the border as a reminder that, whatever the maps say, Israel regards the area as Israel in the military security sense. Critics have argued that the security zone threatens to become a trap, drawing Israel back into Lebanon's cycle of violence. The TWA hijacking and the UN hostage incidents underscore the threat and show that it affects Israel's standing with friends fects Israel's standing with friends. The key demand of the TWA hi-jackers has been for the release of 766

Shia Moslem prisoners in Israel, most of whom were captured early this year in connection with "Operation fron Fist" raids against southern Lebanese villages. The raids were in retaliation for guerrilla attacks against withdrawing Israeli troops, and Israel has consistently linked the release of the prisoners to the security

situation in the area. The prisoners have not been convicted of any crime. According to the United States and the International Red Cross, among others, their transfer to Israel last April was in violation of articles 49 and 76 of the 1949 Geneva conventions that prohibit the forcible transfer of civilians to the territory of an occupying power. The Shiites are, in effect, Israeli hostages whose freedom is dependent on the good behavior of Israel's Lebanese neighbors in the security zone. Earlier this month the South Leba-

non Army militia backed by Israel took hostage 25 Finnish soldiers assigned to the UN Interim Force in Lebanon and threatened to execute them at the rate of one an hour until Bulgaria might first change its demands were met. General An-

By Dan Fisher

tia, said Finnish UNIFIL soldiers had collaborated in the abduction of 11 of his men, although a UN spokes-man insisted that these men had de-fected to the rival Amal militia. Gen-

days after they were abducted.

Israeli officials admit privately that the affair could have been ended

want to be seen as undercutting Gen-eral Lahad. So Israel put itself in the

casi Land. So Israel put itself in the position of appearing to condone kidnapping by its proxy army.

The affair damaged Israeli-Finnish relations. And Norway's chief rabbi, Michael Melchior, told the Jerusalem Post that thousands of Norwegian soldiers serving with UNIFIL arrived in the region supportation to be and in the region sympathetic to Israel but will leave "hating" it because of its backing for the Lebanese militia.

The TWA hijacking put a strain on Israel's most important relationship—with the United States. Neither side wants to be seen as giving in to terrorism, and each seems to feel that the other is being less than forthcoming in helping it to save face.

Lisraeli withdrawal would mean risk of abandoning Lebanese C tian militiamen friendly to Israe would also assume the risk that more moderate Shia Moslems a tender with Amal can hold their against more radical elements.

Balanced against those risks, I would not be read to some the risk that the content is being less than forthcoming in the properties. ing in helping it to save face.

No one in Jerusalem suggests that
Israel's problems in Lebanon would

real Lahad wanted the 11 returned.

Details of the incident are still unclear, but General Lahad, reportedly under Israeli pressure, released the last of his captives unharmed eight

much more rapidly; but Israel did not

all disappear immediately if it gave up its security zone and truly with-drew. It understandably wants to put as much distance as possible between itself and the turmoil in Lebanon. Ultimately, however, the Shia Mcg lem majority in southern Lebanon is the group with which Israel must cul-

tivate some kind of understanding.

Israel's argument when it invaded three years ago was with the Palestin-ians who had turned southern Lebanon into an armed base. The occupa-tion lasted long after the Palestimans were gone. The Shiites, who had welcomed the invasion, turned against Israel. Israeli officials say they have tried repeatedly to reach some agree-ment with the Shiites but that all overtures get the same response: First pull out of Lebanon, then we'll see

There is a strong argument that the risk is worth taking. The Shiites have proved to be as intent as the Israelis on keeping the Palestinians from re-

on keeping the Palestinians from re-turning to southern Lebanon.

Israeli withdrawal would mean the risk of abandoning Lebanese Chris-tian militiamen friendly to Israel It would also assume the risk that the more moderate Shia Moslems affili-ated with Amal can hold their own

Balanced against those risks, however, is evidence — the TWA and UNIFIL incidents — that the current policy is perilous indeed.

LETTERS TO THE EDITOR

Khans Before the Czars

In response to "Bulgaria Watches Its Image" (June 1) by Flora Lewis: The official Bulgarian position, we

read, is that "there are no Turks in Bulgaria" and that the people in-volved descend from "pure" Bulgari-ans converted under Ottoman rule. Two Bulgarian khanates, one on the Voiga and the other on the Danube, were founded by the Bulgars, a Turkic people. Today's Bulgaria is the successor state of the latter. Its rulers bore the Turkic title of khan and had Turkic names until they em-braced Greek Orthodox Christianity and started to call themselves czars. Thus, long before the Ottoman empire absorbed the area at the end of the 14th century there were Turkic

people in the region. toine Lahad, commander of the mili-create a totally Slavic state, before it forcibly renames its Turkish and other non-Slavic citizens. MEHMET RAGIP DEVRES.

Managua: Elected or Not?

Has everyone forgotten that the elections in Nicaragua last Novem-ber, despite Arturo José Cruz's loud abstention, saw one-third of the seats go to opposition parties? Since those parties are trying to work without military intervention and are on record as being against the "contras," should they not be given a chance?

Of course there were elections to cheer about in Chile and Turkey when was it, now? Just how does one. go about deciding when an election isn't an election after all? Is it acceptable only when 100 percent of the elected candidates are to one's liking?

ELLEN SIMER.

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Vanishing Hope of Rate Cut Considers Has Strong Market Impact

By CARL GEWIRTZ

International Herald Tribuna ARIS - The bottom fell out of the Eurobond market last

week when expectations of an imminent decline in U.S. interest rates vanished. The latest U.S. economic statismiterest rates vanished. The latest U.S. economic stata-tics — showing much more rapid growth than had generally been expected, and a surge in the money supply — left the bond market convinced that this year's steady decline in interest rates is, at least temporarily, over.

"In the wake of these developments, a further cut in the discount rate is now unlikely," said Henry Kaufman, chief

economist at Salomon Brothers.

French Fr. short term ___ Sterling medium term ___ Yen medium term, int'l lust, Yen ig term, int'l inst. ___

ECU short term ____

Market Turnover

Yalai Detjar Equivalen

Cedel 17,073.0 13,448.7 3,624.2 Eurocleor 31,068.1 27,546.1 3,472.0

Short-term Eurodollar rates, which had dropped some %-point as the certitude of an impending rate cut spread, re-gained all of that and then **Eurobond Yields** For Wask Ended June 19
U.S. I g term. tn/1 inst. ...
U.S. I medium term. Ind. ...
Con.s medium term. some — ending the week up to 14-point higher than a

week earlier. Especially noteworthy was the widening cost of money between one-, three-, six- and 12-month rates — re-estab-lishing the natural curve in yields. The curve had flattened quite sharply as longer-term rates declined and the shortest term rates held steadier, awaiting confirmation of a decrease from

On the foreign-exchange market, the dollar also fluc-tuated — dipping briefly be-low 3 Deutsche marks as in-

terest rates sagged and recovering to 3.07 DM by week's end. That gain was bad news for the nondollar sectors of the bond market, particularly for relatively low-coupon bonds denominated in DM and European currency units.

T THE same time, the interest-rate moves that affected the A exchange market undid the fixed-coupon seem dollar-bond market where yields have been set to anticipate further rate declines. Underwriters sought to maintain double-digit coupons - deemed essential for institutional investors who finance themselves in the short-term market — by extending maturities. Thus, the straight Eurodollar issues were virtually all for 10 years and carried coupons of 10 to 10%

There were two exceptions. A \$100-million, 10-year issue from John Labatt Ltd., a Canadian beer and food company, carried a coupon of 10½ percent. The company's Canadian debt is rated double-A, but it is not known internationally and the issue is unsecured debt. As a result, it ended the week down 3% points from the 99% offering price.

The other was a Norwegian government-guaranteed issue for LFS, which finances the Norwegian shipbuilding industry. Its \$50-million of five-year notes were priced at par carrying a

coupon of 9% percent. Among the 10-year, 10-percent issues, the initial demand for Electricité de France's paper was such that the amount was increased \$100 million to \$225 million. But the increase was badly timed to coincide with the report of the disappointing economic statistics and the paper was dumped, ending the week at 95 — a whopping big loss for underwriters still holding the

Eurofima, which tapped the market for \$100 million, ended the week at 96. Procter & Gamble (\$150 million) fell to 96%.

Federated Department Stores, first of the week's new issues, offered a coupon of 10% percent but ended trading at 96%. Long Term Credit Bank of Japan also set a coupon of 10% but fared better -ending the week at 99 -as the issue could be bought by Japanese institutional investors without regard to the prevailing constraints on their holdings of foreign-currency securities.

Issues not providing such hidden attraction are of no interest to the Japanese — the biggest buyers of dollar paper. Bankers report the Japanese — the biggest onyers of donar paper. Bankers report the Japanese are now heavily buying long-term, high-coupon Treasury paper in New York, preferring the extra yield they pick on 30-year bonds and the security of knowing the paper can always be sold in the highly liquid Treasury market.

New York investors, meanwhile, were big buyers of floating-rate notes now that the 4-point margin over the London inter-

bank offered rate — the old market standard — has been re-

This has been made possible by the new formula of maximumcoupon FRNs. The higher yield on the notes compensates investors for the lid on how high the floating coupon can climb. At the same time, borrowers continue to get cheap money — some claim a touch below the London interbank bid rate — thanks to their ability to sell the cap as an insurance policy to institutions looking for such protection.

The formula has become almost standard: In most cases it (Continued on Page 17, Col. 1)

Japan

tween Japanese and West German monetary officials, said at a news conference Saturday that West German banks wanting to launch securities trading will now start dis-cussions with the ministry's securi-

Hans Tietmeyer, the West Ger-man deputy finance minister, said Japan's legal separation of banking and securities activities was the ma-

He said West Germany's universal banking system makes it diffi-cult for German banks to meet Japmese legal requirements, so he has asked the Japanese Finance Minis-

Mr. Obs, who headed the Japa in a West German-U.S. agreement that let German banks into the U.S.

securities market German bank subsidiaries in the U.S. securities market were already there before banking and securities activities in the United States were separated, Mr. Oba said. He added: "The case of German banks in

He said, however, that the ministry would now discuss, on a caseby-case basis, the West German banks' wishes to start trading secu-

"We want to study what we can do to meet the German request within the framework of the exist-

cursed Japan's request for Japanese banks to lead-manage Euromatic bonds, Mr. Obs and Mr. Tiermeyer

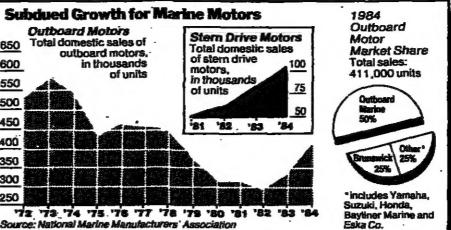
Mr. Tietmeyer said the Bundesbank in late April opened the way for foreign banks and their subsidiaries in West Germany to lead-manage such bonds on the basis of

Because there is no such reciprocity yet in the Japanese market, Japanese banks have been exclud-

■ U.S. Call on Electronics

said in Tokyo.
The officials said Friday that the United States has also asked Japan to pledge not to aid Japanese semi-

Subdued Growth for Marine Motors Outboard Motors outboard motors. in thousands motors. in thousands



Engine Maker Races to Stay Ahead

Outboard Marine Faces U.S., Japanese Competition

By Jeffrey A. Leib

New York Times Service

CHICAGO — Charles D. Strang's love affair
with outboard motors began in the 1930s, when he
was a boy growing up on the South Shore of Long
Jeland, phereing on a local most named Beauty

Island, cheering on a local racer named Benny
Levy and his mahogany boat, the Baby Sink.
Mr. Strang, who set a record racing powerboats
at university, is engaged in a race of a different sort
today. As chairman and chief executive officer of Outboard Marine Corp., the world's largest producer of ontboard marine engines, Mr. Strang finds other companies — in the United States and overseas — in close pursuit, introducing innovative engines and trying to undersell Outboard's Evin-

One strong source of competition has been Brunswick Corp.'s Mercury Marine division, which pioneered a line of inboard-outboard motors known as a stern drive that are sold to boat builders for direct installation in new craft. Although the U.S. market for outboard motors is four times larger than that for stern drives today, the generally higher-priced stem drives are more profitable and their sales are expanding more rap-

Mercury has captured an estimated 60 percent of that market. But Outboard Marine, which now

petition from foreign producers. About one quar-ter of the company's sales have traditionally come from outside the United States. But like many U.S. companies, it has suffered from the strong dollar's continued drag on export business.

The industry leader must also contend with the growing presence of foreign producers in the U.S. market. Yamaha, for example, entered the United States two years ago, with a full line of outboard motors, from 2 horsepower to 220 horsepower. The Japanese company, which has 500 dealers compared with Outboard Marine's 4,100, would not disclose its market share. But industry observers that they were that they were the states that the state of the say that this year it will easily take third position, behind Outboard and Brunswick. Other Japanese

claims a 25-percent share of the market, is counting on its own new powerful Cobra line of stern drives, introduced this mouth, to help it catch up. Outboard Marine is also facing increased com-

The industry leader must also contend with the (Continued on Page 21, Cal. 6)

Murdoch to Buy **6 TV Stations** Without Partner

By Richard W. Stevenson

NEW YORK - Rupert Murdoch has become the only buyer in an agreement to acquire six televi-sion stations from Metromedia Inc. after Marvin Davis, the Denver oilman, announced he was withdraw-

A spokesman for Mr. Murdoch said Mr. Davis's withdrawal would not stop the Australian publishing magnate from going ahead with the purchase, which was announced last month and which has a total

value of about \$2 billion. Mr. Murdoch expects to file an application for a change in owner-ship of the stations' broadcast licenses with the Federal Communications Commission on Monday, the spokesman, Howard Rubenstein, said. As part of that filing, Mr. Murdoch will ask for a temporary waiver, of up to two years, of regulations that would require him to sell the New York Post and the Chicago Sun-Times, he said.
In a joint statement issued Fri-

day, Mr. Davis said he had chosen not to become an equal partner in the company being set up to buy the television stations. He indicated that his equal partnership with Mr. Murdoch in 20th Century-Fox Film Corp. would not be affected by his withdrawal.

We have decided not to exercise our option" to buy a 50-percent interest in the stations, Mr. Davis said. "Instead, we will concentrate

investments, including 20th Century-Fox, and consider other invest ment opportunities."

It had not previously been dis-closed that Mr. Davis's participation in the transaction was subject to this option. Mr. Rubenstein said that Mr. Murdoch alone had signed the contracts and that Mr. Davis had been given a chance to become an equal partner.

Mr. Murdoch's control of the Metromedia stations, all of which are unaffiliated with the three major U.S. networks, has given rise to speculation that he would like to create a fourth network. The stations are in New York, Los Angeles, Chicago, Dallas, Washington and Houston.

Mr. Murdoch and Mr. Davis announced last month that they had agreed to buy seven stations from etromedia for about \$650 million in cash and the assumption of about \$1.35 billion in debt. They then said they would sell one of the stations, WCVB-TV in Boston, to Hearst Corp. for \$450 million.

Analysts said that Mr. Davis's withdrawal might have been moti-vated by financial difficulty, but it was more likely that he had decided the stations were not worth the

At about 15 times cash flow, the purchase price for the stations was said by analysts to be extremely

Deficits Cast Shadow on Reagan's Sunny View of Economy

Washington Post Service
WASHINGTON — Late last month, President Ronald Reagan went before the annual meeting of the National Association of Manufacturers proclaiming that the U.S. economy had shown "solid growth" for the last nine quarters, "creating new jobs at the rate of hundreds of thousands each

He pointed proudly to a recovery in business investment, which he said had been the strongest in three decades, to rising productivity and to an inflation rate that was "at the lowest level in more than a de-

Mr. Reagan's assessment comes at a time, however, when unprecedented trade and budget deficit and the latest round of indicators have raised concerns about how long the U.S. economy will continue to expand.

Some senior administration officials and many private economists worry about the way the trade deficit is dragging down growth. There is concern, too, about the fact that the United States, with a new reliance on imported capital as well as goods, soon will face the problem of how to pay interest on all the

foreign money.

But the public emphasis is still on the brightness of the outlook, as it was last week when the Commerce Department estimated that the gross national product, adjustpercent rate this quarter. GNP measures the value of goods and services, including income from

mining are being pounded by imports, GNP had increased at only a contrary to Mr. Reagan's assertion, in the entire of the nine quarters of which Mr. Reagan spoke. That was little more than half as fast as the administration had forecast.

The latest survey of investment intentions indicates that real spending on new plant and equipment will rise at a 4.4-percent annual rate in the last year. That means productivity, there is a 4.4-percent annual rate in the last year. That means power than half as fast as the administration had forecast.

The latest survey of investment intentions indicates that real spending on new plant and equipment will rise at a 4.4-percent annual rate in the last year. That means power the last year and productivity, in the third quarter of this year and percent in the fourth.

Second, the income from last year's surge in investment will have to be used to pay a return to foristration had forecast.

The higher estimate for this 150,000 production workers quarter does not help the average more than I percent of such workmuch. The first-quarter figure was ers in the United States — had lost revised downward from 0.7 to 0.3 their jobs in the three months prior percent, leaving the current level of economic activity 2.3 percent high-ic; (fish a year ago. to the president's speech. Total manufacturing output was no high-er; (fish a year ago. er than a year ago.

The slow growth has left the civilian unemployment rate stuck lost in May. near 7.3 percent for almost a year. The surge in business investment And the number of production appears to be tapering off rapidly. tion. Because neither computers

er. Another 28,000 such jobs were

In manufacturing, nearly in business investment over the last two years appears unlikely to add as much to future levels of U.S. national income as the large totals

First, the bulk of the growth occurred in spending for computers and business automobiles, according to research by Barry Bosworth, an economist at Brookings Institu-

net of roughly \$100 billion in the United States in 1984.

Unpublished Commerce Department figures indicate that about three-fourths of last year's nonresidential investment went just to replace worn-out or obsolete plants and equipment. The remaining one-fourth, about \$106 billion worth, represented the 1984 in-

(Continued on Page 17, Col. 6)

June 12, 1985

All these Bonds have been sold. This announcement appears as a matter of record only.

NEW ISSUE

BACOB FINANCE N.V.

(Incorporated with limited liability in The Netherlands)

ECU 28,500,000 934% 1985-1993 Guaranteed Bonds

Unconditionally and irrevocably guaranteed on a subordinated basis as to payment of principal and interest by

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Kredietbank International Group

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ASLK-CGER Bank Bank Brussel Lambert N.V. Bank Mees & Hope NV Banque Générale du Luxembourg S.A. Banque Internationale à Luxembourg S.A. Caisse des Dépôts et Consignations Caisse d'Epargne de l'Etat du Grand-Duché de Luxembourg (Banque de l'Etat)

Die Erste österreichische Spar-Casse-Bank Generale Bank Istituto Bancario San Paolo di Torino Merrill Lynch Capital Markets Mitsubishi Finance International Limited Morgan Guaranty Ltd

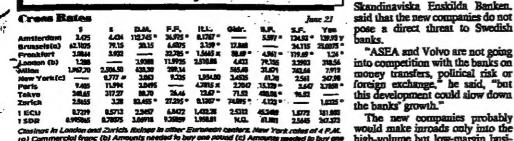
Orion Royal Bank Limited Sparekassen SDS Westdeutsche Landesbank Girozentrale Tokai International Ltd.

Last Week's Markets

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	S&P 100 162.89	180.93 +1.02%	- Carling			
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Currency Rates



Other Bollar Values

Currency per U.S. Currency per U.S.S Currency per U.S.S Argen, costrol Q.D Fa. userkim A.37 Modey, ribs.; 2.454 Square, per U.S.S Argen, costrol Q.D Fa. userkim A.37 Modey, ribs.; 2.454 Square, per U.S.S Argen, costrol Q.D Fa. userkim A.37 Modey, ribs.; 2.454 Square, per U.S.S Austr., schill, 21,60 Greek drog, 134,85 Modey, ribs.; 24,64 Square, per U.S.S Austr., schill, 21,60 Square, per U.S.S Square, ribs.; 24,64 Square, per U.S.S Square, ribs.; 24,64 Square, per U.S.S Square, ribs.; 24,64 Square, per U.S.S Square, ribs.; 24,64 Square, per U.S.S Square, per U.S.S

Bonn Plea Bankers Want Securities Access

TOKYO - The Japanese Finance Ministry is to consider whether it can allow West German banks to enter Japan's securities market without revising its securities and exchange law.

Tomomitsu Obs, the vice minister of finance, after meetings be-

ties bureau.

ior issue at the talks.

try to think of ways to enable them to enter the securities market. nese delegation in the talks, ruled out a bilateral solution such as that

Japan cannot compare with their historical U.S. position."

rities in Japan.

ing law," Mr. Oba said.

The first talks, to be followed by more in Bonn this fall, also dis-

The U.S. Semiconductor Industry Association has filed a petition with Michael B. Smith, deputy U.S. trade representative, asking Presi-dent Ronald Reagan to press Japan to dismantle barriers that limit sales of microchips, U.S. officials

conductor makers that may have overinvested during a slump in world demand for microchips. Negotiators, led by Mr. Smith, raised the issue at talks on the elec-

tromics trade in Tokyo on Tuesday. the gross national product, adjust-They said they had proposed that ed for inflation, was rising at a 3.1. the Japanese government make a lic statement that it would not bail out companies that overinvest-ed when they should have cut back. foreign investments.

ASEA, Volvo to Expand **Into Financial Services**

STOCKHOLM - Two of Sweden's most liquid companies. ASEA AB and AB Volvo, are setting up separate companies to handle financial services in a move that some bankers say will slow the growth of Swedish banks.

ASEA Kapitalfoervaltning AB is

Mr. Thunell said that ASEA's to manage group liquidity and for- large capital resources would make

endent broker on the Swedish Volvo's slightly less ambitious centure, AB Fortos, also was established to handle group foreign ex-change and make Volvo more active on the domestic credit market. change and we much prefer leaving Jacob Palmstierna, a director of political risk to banks."

eign exchange and is applying for a dealer's license to act as an inde-

said that the new companies do not pose a direct threat to Swedish "ASEA and Volvo are not going into competition with the banks on money transfers, political risk or foreign exchange," he said, "but this development could slow down

The new companies probably would make inroads only into the high-volume but low-margin business in which banks act as brokers in arranging loans between busi-Lars Thunell, finance director

tronic engineering group, has cash and marketable securities of nearly 7 billion kronor (\$800 million).

food group, has liquidity of 16.7

Total Swedish corporate liquidity is more than 150 billion kronor

of other clients as well as the parent company. But he said the company "Money transfers are a bank's business," he said. "We will never match SE-Banken in foreign ex-

it easier to handle funds on behalf

When AB Fortos begins operating later this summer, it will act as an internal bank for the group's foreign-exchange operations:

Unlike ASEA's new company, it

will not compete with other brokers group's funds primarily will be in-vested there. Anders Jansson, head of money market operations at AB Fortos, said that the new venture was a

cial operations, not an expansion Curt G. Olsson, chairman of SE-Banken, said recently that banks for ASEA, said that a slowdown in bank growth was inevitable be-cause of the high liquidity of Swedhad encouraged their corporate clients to bypass the banking system.

decentralization of Volvo's finan-

"To a certain extent we encouraged this ourselves since we did not dare to carry such enormous liquidity on our books," he said in an interview with the magazine Svensk

International Bond Prices - Week of June 20 Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277 Prices may vary according to market conditions and other factors. RECENT ISSUES GERMANY STRAIGHT BONDS All Currencies Except DM ICELAND edichi (of) III i 71 Dec udo Trusi Financo 129 89 Apr LUXEMBOURG MEXICO SWEDEN MISCELLANEOUS NETHERLANDS HIGHEST YIELDS to Average Life Below 5 Years NEW ZEALAND 934 659777 659 930 11.67 930 11.67 930 11.67 11. 1979 - 340 | 110 | 110 | 120 | 120 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | 130 | HIGHEST YIELDS art credit (ii. 18 july art credit (ii. 18 july art credit (ii). 18 july art credit (ii). 19 february art credit (ii. 19 july art credit (iii. to Average Life Above 5 Years SWITZER LAND SWITZ 80% 10.33 105% 12.93 101% 10.96 11.7% 4.71 15% 9.91 101% 11.44 167 9.45 168 5.00 161 9.96 161 9.96 161 9.96 161 9.96 164 9.00 164 11.17 -HIGHEST CURRENT YIELDS-BELGIUM | Second | S | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | ## 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IS AUS 2004. I Fields 1999. I THE AND THE PROPERTY OF THE PR 1997年1月14日 1998年 Westdeutsche Landesbank, **Head Office**, P.O. 60x 1128, 4000 Düsseldorf 1 International Bond Trading and Sales: Telephone 8 26 31 22/8 26 37 41 Telex 8 581 881/8 581 882 Westdeutsche Landesbank, 41, Moorgate, London EC2R 6AE/UK Telephone 638 6141 · Telex 887 984 Luxembourg WestLB International S.A., 32–34, boulevard Grande-Duchesse Charlotte, Luxembourg, Telephone 44741-43 - Telex 1678 Westdeutsche Landesbank, BA Tower, 36th Floor, 12 Harcourt Road, Hong Kong, Telephone 5-8420 288 · Telex 75142 HX Marketmakers in Deutschmark Bonds West LB Westdeutsche Landesbank

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THE REPORT OF THE PARTY OF THE

Scoring **Top Points** In Secrecy Debate

By David B. Tinnin

GENEVA - A hot debate is growing between Europe's two prime refuges for private capital. Which has the more effective banking secrecy laws — Switzerland or

To an increasing degree, th Luxembourgers are insisting that they are in first place. The motiva-tion is simple. As more and more Luxembourg banks seek to attract private investors, the bank executives are learning that tight confi-dentiality rules impress potential clients. Although no one wants to the identified by name, some Luxembourg bankers readily admit that they describe their laws as being tighter and containing far fewer loopholes than those of Switzer-

In addition, several prestigious Luxembourg lawyers are advising possible depositors that Switzerland has given away a lot of its secrecy safeguards in the past few years, notably in the mutual assistance treaty with the United States and a new Swiss federal law that oblines Swiss hanks in some its obliges Swiss banks in some instances to cooperate with foreign fiscal and banking authorities.

The Luxembourg claim to be No. 1 has been buttressed by artiles in the international press that have described Switzerland as no longer the financial fortress of old.

Inadvertently, the Swiss have hurt their own cause by engaging in a running public quarrel over the wisdom — or foolishness — of several recent federal practices that add to the cost and complexity of banking transactions in Switzer-land. A prime example is the 6percent sales tax on gold, a measure hurting Zurich's role as one of the world's leading gold markets. Swiss domestic politics also have

been damaging. The challenge to the banking secrecy laws posed by the Socialist Party of Switzerland, the of the country's largest politi-cal groupings, continually causes anxiety abroad about the stability of Swiss banking secrecy. Actually, the Socialists were beaten in a nationwide referendum by such a massive 3 to 1 majority that for eigners should have felt reassured about the solid Swiss support for a continuation of the status quo. However, the concern persists.

bronically, it may have been helped by the much publicized acquisitions and moves abroad by the big Swiss banks whose actions have created the unsettling impression that maybe something really is wrong with Switzerland as a finan-

cial bastion.

Understandably, the Luxembourgers have charged through this psychological breech in Switzers land's long vaunted impregnabil-

The Luxembourgers have a pund and well conceived banking raw to brag about. Banking secrecy has, in fact, been a part of Luxem-bourg's financial life for many decades. However, it was not until 1981 that the present law went into effect. This law codifies the role of banker as being similar to that of clergyman or physician and binds him to keep secret the client's financial status from all third parties, except if the client commits a

The 1981 law is highly innovative in providing what the Luxembourgers call "asymmetrical protection." That means that the asset side of the bank's balance sheet, including the big loans and expo-sures in Third World countries, can disclosed both to Luxembourg banking authorities and to the home offices of banks operating in that on the liabilities side of the ledger, where the deposits are en-tered, the names and amounts of the account holders are closely

guarded.

The Luxembourg law fits nicely into the philosophy of the times," declared Voker Burghagen, the managing director of Dresdner Bank International. "The law enables large banks to assess their overall global exposure on a worldwide basis while at the same time guarding the depositors against prying official government agen-

Alex Schmitt, a U.S.-trained lieved that "the Luxembourg law is as strong as and probably stronger than any other banking secrecy law

in Europe."

Despite all the talk about rivalry. the Luxembourg law and its Swiss counterpart are remarkably simi-lar. In addition to the Luxembourg lar. In addition to the Luxembourg visit in mid-May. To spare offense provision for asymmetrical protection, there are only a few basic differences. Perhaps the most imvide financing or a site for the provide f Luxembourg bank cannot waive the right to secrecy even if he or she hardly notified of this 12 days before opening night, too late for another theater to be rented.

However, censorship is hardly (Continued on Page 11)



tially add to the vol-Luxembourg Enro-Until the planned closure of Swiss Volksbank this summer, there will be 119 foreign bank sub-As a Eurocenter.

in fact, Luxembourg sidiaries in Luxembourg, as well as another 10 branches of other fortoday is less important than it was a deeign banks.
Yet, the first study of Luxembourg's image — undertaken by Charles Barker, British consulcade ago, now that Asian-dollar banking centers are competing, a range of fitants, on behalf of the Association pancial alternatives to straight bond pur-

fered in London, and New York has its own offshore banking sys-1em, In 1984, less than a quarter of ipated in by Luxembourg-based banks and only 57 percent of Enrobond issues were traded on the at a news conference Luxembourg stock exchange. While these figures are an improve-ment from 1983 levels (in part be-cause of the effect of a high dollar that Asians polled mixed up Luxemin 1984), they are far from the levels of a decade ago, according to

(Continued on Page 13)

A Resurgence in Steel Industry As Banking Enters Flat Stretch By Michael Metcalfe LUXEMBOURG - Luxeming 17.9 percent, 7.4 percent and 6.2 percent in 1981, 1982 and 1983 unemployment in the grand duchy peaked at the beginning of 1984 at a little under 2 percent of the total workforce of 160,000. bourg is well into an era that may prove to be watershed years for its respectively. Government efforts to economy and industry. reshape the industry appear to be Key economic indicators -

growth, production, trade, inflation and employment — either showed improvement where deteri-oration had been expected or accelcration that was faster than had

was expected to drop in 1984 for the fourth consecutive year — per-haps by as much as up to 1 percent when banking services are excluded - actually returned to growth of about 4 percent, according to govenument estimates.

time in 10 years during 1984 and into 1985. However, banking, for the past decade the keystone of state policy to grow and diversify away from a single product, was

ity were assured by the return to power after national elections last June of Finance Minister and President Jacques Santer's conservative Christian Social Party, albeit in a coalition that brought in the opposition Socialists at the expense of the Liberals.

"The contours of government policy may have shifted slightly with the entry of the Socialists, but the main lines of economic and financial policy remain unchanged," a government official

The election, which produced few surprises except for pushing the Liberals into opposition for the first time in 15 years, reflected the tradition of consensus politics and negotiated compromise built up by Luxembourg over the past century.

Propelled by more dynamic external demand, a sharp resurgence in the steel sector gave the cutting

edge to the economic recovery last

paying off; from 1974 to 1980 production capacity dropped by 15

ARBED, still the country's largest single employer and exporter and Europe's fourth-largest steel producer last year, has returned to the black for the first time in a decade. Operating profits were up 25 percent and sales up 18 percent at 10.5 billion and 56.7 billion Lux-

embourg francs respectively.

The government has cushioned the monolith against the worst of the international steel crisis by top-Steel, the mainstay of the grand the international steet tries by the duchy's social and economic ping up its capital resources with periodic injections of funds and periodic injections of funds and share purchases, which have resulted in the state raising its share in ARBED to 30.8 percent, making it the largest single shareholder.

> Financing earmarked over the short term amounts to a little more than 9 billion francs. ARBED continues to remain a charge on goveroment finances until it starts paying taxes again once its debt burden is sizably reduced, government officials said.

ARBED's workforce has shrunk to around 14,000, a drop of more than 40 percent from peak levels a decade ago, with the figure expect-ed to stabilize around 12,500 by

The government is not pinning its hopes on the continuation of the brisk pace of the revival in steel during 1985, however. There is a degree of uncertainty as to demand for Luxembourg's steel products; we believe it will be more subdued,

rowth this year call for expansion in the vicinity of 2 percent, an esti-mate broadly in line with projec-

tion for Economic Cooperation According to the organization

The government's manpower policy of retraining projects and en-couraging occupational mobility, coupled with an increase in industrial production, largely contributed to the decline.

Moreover, the government's policy of finding a new job for every one lost in the steel sector has also played its role in keeping unemoloyment levels down.

Overall industrial production last year jumped by between 12 and 14 percent, a sharp increase com-pared with 1983 levels when output in all sectors averaged a 4.5-percent rise. The export-oriented sectors of industry performed best, with con-struction lagging sharply.

One of the biggest surprises in the general economic picture last year was the sharp deceleration in the pace of domestic inflation.

The 1984 forecast by STATEC the government statistics board, that inflation would "slow down only slightly, with a considerable risk of unexpected difficulties," proved unfounded. In fact, the reduction in inflation speeded up to bring the final rate down to 5.7 percent from 8.6 percent in 1983.

Measured against its European eighbors, Luxembourg was at the ower end of price increases in the European Community's 10 mem-ber states during 1984, with Greece at the top with 18.3-percent infla-tion and West Germany at the bottom with 2.4 percent, according to Eurostat, the Common Market statistics bureau. However, now that so that the external contribution to wage indexation has been resumed growth will probably diminish," an after being suspended in 1982, Economics Ministry official said. when a devaluation of the Belgian Official forecasts for real GDP and Luxembourg francs threatened a stampede in prices, the resulting automatic increases in wages and salaries could boost householders

(Continued on Next Page)

The Duchy Makes It Official: Lëtzebuergesch Spoken Here

embourg - has re-

vealed that the grand

duchy lacks a "brand

image." Worse, the

association's presi-

dent, Rémy Kremer

of Banque Générale

le Luxembourg, said

bourg and Liechten-

While new banks

continue to settle in

kerage house).

LUXEMBOURG — It was only in February 1984 that the first of the four languages most Luxembourgers speak was raised to offitradition are the "little Luxembra to Interest to tradition are the "little Luxembra to Interest to Interest to the first of 364,600, the real threat to tradition are the "little Luxembra to Interest to Int cial status. The language is called Lêtzebuergesch, or Luxembour-gish, and is a dialect of German

origin.
Under last year's decree, which was written in French, this language was made the official national language, but laws will continue to be published only in French. Then, too, Luxembourgers will continue to read newspapers largely in German, to be schooled large ly in German and French, to wor-ship in their churches largely in German. In high schools, students will have an hour of English studies per day — and an hour of Letze-buergesch a week. This will help train them to be good Europeans and international bankers.

most all the natives of this country. It has been used in printed form (although how to spell it is still disputed) since the early 19th cenpers, increasingly are using their own language for family advertise-ments (announcing births and deaths). And, in a proof of linguistic vitality, there is even a Letze-buergesch censorship scandal. Josiane Kartheiser, a journalist

and playwright, found her latest comedy, "Härgottskanner," banned from the boards of the mu-nicipal Theatre des Capucins. The leftist writer, who works for the German-language newspaper Ta-geblatt, has some jokes about birth control and the pope's visit to Lux-embourg in her play, which was scheduled to open before the papal portant is that a depositor in a duction despite earlier commit-Luxembourg bank cannot waive ments to do so. Miss Kartheiser

the biggest problem facing Luxem

ers (the two groups account for 51,600 people). In negotiations on the entry of Spain and Portugal into the European Community, Laxembourg was very reluctant to allow free movement of workers population of natives. from these countries within the EC,

and special restrictions were per-mitted for the grand duchy. Luxembourg literari, who usually have a second job, like Miss the Rue de la Loge in the Old City. Kartheiser, are convinced that any But behind the walls today, there is new arrivals will eventually dis-solve in the national melting por-just as earlier immigrants from Ita-ly have done. The government press spokesman, Lex Roth, who was instrumental in getting Lezz-buergesch made official, is optimiswas instrumental in getting Letze-buergesch made official, is optimis-tic. "Among third generation Ital-ians, most speak Letzebuergesch

bourgers" who speak Italian or Portuguese at home, to cite the largest number of immigrant workin her play: depopulation. Most Luxembourgers are not so devoted to their culture and language that they will produce babies to perpettrate it and the result is a declining

> The Luxembourg slogan, "Min wölle bleiwe wat mir sin" (We want stenciled on the walls of a cafe on

> glish-language weekly, The News (Continued on Page 12)



Message on a wall: "We want to remain what we are

Société Anonyme Luxembourgeoise

Extract from the Audited Accounts

for Twelve Months Ended 31 December 1984

BALANCE SHEET (expressed in million US \$)	1984	1983
Deposits with banks	97.8	192.1
Loans and advances secured unsecured	182.9 125.9	69.8 30.7
	308.4	93.5
Total Assets	428.7	288.5
Bank Deposits	218.9	136.5
Customers deposits	113.6	88.1
Subordinated loan	40.0	20 0
Share capital	40.0	40.0
Reserves and provisions	11.4	1.8
INCOME STATEMENT (expressed in million US \$)		
Net Operating income	13.6	4.1
Operating expenses	3.5	_1.7
Pre-tax profit	10.1	2.4

 Results for 1983 cover the period from commencement of business 3rd May 1983 to 31st December 1983. The incorporation date was the 15th March

Reserves and Provisions include specific and general reserves in accordance with Luxembourg statutory and fiscal regulations.

 This report does not purport to be the Luxembourg statutory financial statements of the bank, established in accordance with the regulations of the Luxembourg regulatory authorities, which have been published in the Official Gazette

("Memorial") in Luxembourg. Auditors - Peat Marwick Mitchell & Co, 23 rue Beaumont, L-1919 Luxembourg. Tel: 479271 Telex: 2940.

Copies of Complete financial statements and annual report can be obtained on application to the operations manager in Luxembourg.

INTERNATIONAL **BANKERS** INCORPORATED S.A.

41 Boulevard Prince Henri L-1724 Luxembourg Telephone 472855 Telex 2931 ibi lu

Chairman of the Board Jean de Roquefeuil Paul J. Monnory Advisor to the Chairman and General Counsel
Aymar Durant de Saint-André Executive Director
Alain Field Executive Director

IBI ASIA 國銀亞洲有限公司

9705 Alexandra House, 97th Floor Chater Road, Central, Hong Kong Telephone 261144 Telex 62878 ibi al hx

Executive Management Louis C. Louvet Managing Director

Increased international activities

oldest and largest private commercial bank, has once again achieved good results in 1984.

The balance sheet total amounted to 238 billion Frs (3.8 billion \$ US), an increase of 10.1% as compared to

Income from interest differentials and commissions improved considerably, so that cash flow showed a further growth up to 3,339 million Frs (52.9 million \$ US) allowing the bank to constitute substantial provisions as well as to raise its profit results by a further

Internationally BIL performed again very successfully on the Eurobond market where the bank managed, resp. co-managed 70 issues of which 16 were in Can. dollars and 39 in ECU. The total volume of ECU bonds managed by BIL tripled within two years.

On the secondary market the bank strengthened its market maker position by offering daily prices for more than 200 Eurobonds, including a broad range of ECU issues.

Furthermore the bank increased its capabilities in Eurofinancing and on the foreign exchange markets.

Next to the establishment and domiciliation of numerous holding companies, BIL was actively involved in the constitution of 5 new investment funds, bringing to 48 the number of funds now under the bank's administration.

The bank's international operations were backed by its representative offices in Singapore, London and New-York. BIL (Asia) Ltd, Singapore, a whollyowned subsidiary specialized in international financial and asset management showed for 1984 quite satisfactory results.

During 1984 BIL became a full member of ABECOR, the world's largest banking group of its kind.

Based on the favourable prerequisites governing the financial centre of Luxembourg, both for institutional investors and for high net worth individuals, BIL

Banque Internationale à Luxembourg. Luxembourg's continued to undertake far reaching initiatives in order to offer to a continuously increasing international clientele a tailor-made banking service. In line with that commitment, BIL's range of specialist services includes: private banking, portfolio management, constitution of off-shore or holding companies, gold, bonds, deposits in eurocurrencies.

Financial Highlight		10000	3 = 7. 3.
– in Lfrs million –	per 30.12.84 -	Lfrs 100 = ±	1.5853 US \$
	1982	1983	1984
Net Profit	405	458	522
Distributed profit	160	206	- 260
Net dividend per share	Lfrs. 225	Lfrs. 250	Lfrs. 280
Cash Flow*)	2,392	2,886	3,339
Total Assets	199,495	216,569	238,440
Loans and advances	56,346	56,934	58,392
Due from banks	108,116	120,942	128,235
Due to banks	34,668	38,735	33,443
Customers' deposits	143,451	158,335	182,744
Own resources incl. borrowed capital	4,831	6,196	6,427

*) Net profit plus allocation for depreciation and provisions after deduction of the released portion of the previous years. The itemized balance sheet and profit and loss account are published in the "Mémorial-Recueil Spécial des Sociétés et Associations du



Grand-Duché de Luxembourg

société anonyme · founded 1856 Luxembourg · boulevard Royal 2 Téléphone: 4 79 11 · Telex: 3626 bil lu

DGZ International. **Your link to** the Euromarkets.

DGZ International in Luxembourg, a wholly-owned subsidiary of Germany's Deutsche Girozentrale - Deutsche Kommunalbank -, has a team of Euromarket specialists complementing the financing capabilities of the parent bank.

DGZ International mainly concentrates its activities on money market trading and money market related credit operations. Foreign exchange dealings round off a comprehensive Euromarket service spectrum.

DGZ International has been operating in the Euromarket for more than ten years, and it is recognized as one of the leading wholesale banks in Luxemboure.

The Frankfurt-based Deutsche Girozentrale - Deutsche Kommunalbank -, is one of Germany's major banks, the member institution on the federal level of Germany's Savings Banks Organization.



16, Boulevard Royal P.O. Box 19 L-2449 Luxembourg Tel: 42471, Telex: 2841 A SPECIAL REPORT ON LUXEMBOURG

Bank Regulations Being Tightened, But Discreetly

LUXEMBOURG - At a time one bank or financial institution to when the world's central bankers a single entity or economic group are pondering the need for greater should not come to exceed 50 perare pondering the need for greater checks and balances in international financial markets coupled with fication, Luxembourg is discreetly putting the finishing touches to its

pean Community, Lineenbourg's 119 banks also enjoy the most banking freedom, although the grand duchy over the last 40 years has been at great pains to define the parameters of orderly market con-ditions and banking business. "The fundamentals of the regu-

latory framework prevailing in Luxembourg have been virtually brought to completion now," said Pierre Jaans, director-general of the Luxembourg Monetary Insti-inte, which supervises banking in

The authority, which celebrates its second anniversary this June, sprang out of the Banking Commission established by grand ducal decree in 1945 to protect savings and enterpression of the large and the savings are savings and the savings and the savings are savings and the savings are savings and the savings are and ensure compliance with laws and regulations related to financial institutions and their operations. Since 1945, the commission, fol-

lowed by the institute, has been delegated a broadly defined role in the supervision of Luxembourg's financial markets, embracing con-trol of the credit market and foreign exchange, legislation in mone-tary matters and the registration of

Commercial bankers of all nationalities operating in the grand duchy feel comfortable with the monetary institute's aims and activities, holding the director in considerable esteem for the authority's ability to act quickly and decisively

when the occasion warrants it. One such occasion arose out of the problems associated with the Banco Ambrosiano episode in 1982. When the Italian bank's Luxembourg holding company halted payment, the parent bank in Milan did not step in on the affiliate's behalf and the Italian central bank refused to intervene.

Although holding companies did not fall directly into the commission's orbit, the banking commissioner, as Mr. Jaans was known at that time, promptly issued an ulti-matum to all Italian financial holding companies operating in Luxem-bourg: either provide a letter of guarantee from the parent bank or

helped to forestall further disruption on the unsettled money markets and enhanced Luxembourg's reputation as a finanical center market conditions were regulatory pragmatism.

The regulations here are always

threaten to endanger the banking nationale à Luxembourg, now in its center," said Ekkehard Stock, managing director of Deutsche Bank's grand duchy.

Luxembourg subsidiary, citing the that risk value of the properties of the prop Ambrosiano case.

seminar recently that efficient, year has failed to drive business stringent banking supervision in away from Luxembourg. On the Luxembourg could not by any contrary, the move has brought principles of liberality or pragma- into the grand duchy.

dations are not one-sided edicts im- ulations. posed from above, they are

bankers over a number of years guidelines for the proper handling paved the way for the single-debtor of fiduciary deposits.

force from January this year, speci-insolvency risk to banks, there is a fies that in an intermediate three-question of handling risk. A bank year period aggregate lending of may be liable to mishandling and

cent of the bank's own funds, with the limit falling to 30 percent in the

putting the finishing touches to its regulatory system.

As the country with the greatest banking concentration in the European Community, Luxembourg's tal and reserves had taken place in

The 1983 crisis at Schroeder, Muenchmeyer, Hengst, a German bank that overstretched itself in problem loans to a failing German construction group, taught bankers that financial institutions run the greatest risks when exposure to single borrowers becomes excessively large, and when regulatory systems

Thus, the Luxembourg banking community was already beginning to take regulatory steps to limit single-debtor exposure well before the troubles at Schroeder, one of the 30 German banks represented in Luxembourg, came to light.
Mr. Jaans said the Schroeder in

cident enhanced bankers' state of preparedness for the introduction of the single-debtor limit in Lux-embourg. "While the measure was not specifically prompted by SMH, it proved to be in the interests of all to expedite the ruling "he said.

With Schroeder's Luxembourg subsidiary, once the storm broke, the Monetary Institute took swift action to ensure that the bail-out operation by West German banks

"SMH was not a typical case of a bank stumbling over cluster risks, but an example of a very specific policy pursued to meet a certain end and which would be pursued even if stricter regulations apply, Mr. Jaans observed.

also encompassed the Luxembourg

German banks, and automatically their Luxembourg affiliates, now have to contend with consolidation procedures resulting from a revised German banking act, which also limits single-debtor lending, so that the Luxembourg ruling applies only to those banks not included in the consolidated figures of a for-

With the moves toward greater deregulation, the opening up of new markets and innovative financing instruments sweeping financial centers like London, New York, Tokyo, Frankfurt and Paris, the question arises whether Luxenbourg should follow suit. According to commercial bank-

ers and supervisory authorities in the grand duchy, calls for liberalization have not arisen in view of where orderly institutional and cial flexibility and supervisory

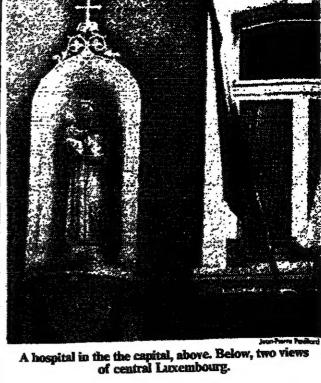
"Luxembourg's banking super- applied very flexibly; certain exvision is certainly not lax; that is emptions are always possible, documented both by day-to-day though understandably there must practice and by the prompt and be justification, said Jean Krier, strong reactions in situations that

by countries like the United States, The German banker also told a West Germany and France last means be said to conflict with the more private customer banking

The growing diversification of The banks freedom of action is Luxembourg banking away from not restricted any more than neces- an overriding dependence on sary; wherever possible, recom-mendations and gentlemen's agree- in the Euromarkets — into private ments are given preference over customer and commission busicodified regulations. The laws, de-ness, has brought with it the need cross, injunctions and recomment to clarify and augment existing reg-

The mushrooming growth in generally issued after in-depth dis-cussions among all involved," Mr. ance-sheet business has led to a clarification of the legal status sur-Cooperation between superviso-rounding such transactions, first in ry authorities and commercial 1982 and later in 1983, setting

ale. "Whereas it is quite clear that
The measure, which went into fiduciary business does not pose an





that risk we wish to avoid," Mr. While the growth in off-balance-

sheet business has accelerated in recent years, spurred by the promise of increased commissions at a time when interest margins on Euromarket and other on-balancesheet wholesale business grow slimmer by the day, the expansion as yet has not proved of major concern to the Luxembourg authorities, Mr. Jaans said.

The plethora of investment funds set up in the grand duchy after the law on holding companies was changed in 1983, numbering 132 at the end of 1984 and expected to reach 180 by the end of this year, is a phenomenon viewed by the netary Institute as providing good business to banks and, indirectly, to Luxembourg.

"The development, though brisk, is to be seen as another logical move toward diversification into other banking areas," Mr. Jaans

Other regulatory and deregula-tory provisions, such as a strengthening of bank secrecy laws enacted

in 1981, the removal of value-added tax on gold and the absence of a withholding tax on nonresident deposits, have in their turn encouraged the growth of private banking. Illustrating this development, Mr. Jaans noted that the ratio of

private to bank liabilities has risen from 1:8 at the end of 1979 to 1:4 at /the end of 1984. "It shows that banks appear to have been successful in efforts to become less dependent on the interbank market and to diversify their funding struc-ture," he said.

Such efforts are to be welcomed as contributing to a healthy and stable banking environment," Mr.

Jaans said. Moreover, in a banking environment where there are no minimum reserve requirements and where the solvency ratio between capital re-sources and aggregate liabilities is a low minimum 3 percent but nearer 4 percent in practice, the financial community has sound reasons to feel at ease with the present liberal, state of supervisory control without. daring to abuse it.

- MICHAEL METCALFE

Steel Recovers, Banking in Flat Stretch

purchasing power and in turn rekindle inflation. The mechanism, despite its inflationary tendencies, should help to speed up recovery in sectors closely related to growth in domestic demand, such as housing construction and consumer goods, areas that have been sluggish during the

The growth in exporting sectors helped Luxembourg to reduce its trade deficit slightly in 1984 to about 22 billion francs from 1983 levels, which had dropped to 24.7 billion from 22.6 billion in 1982.

This trading balance, which has been negative since 1975, continued, however, to be tilted in its favor by a hefry surplus in the services sector, primarily from placement and investment income generated by Luxembourg's many banks. As well as banking, tourism tends to compen-sate for the trade delicit, and Luxembourg usually notches up a healthy surplus on its currentaccount balance of payments. Last year was no exception, and the surplus in 1985 is forecast by the OECD to remain at around 25 percent of

gross domestic product. Banking-sector activity, while remaining a key plank in the government's platform of economic redeployment, is beginning to show signs of flattening out. The period of staggering growth, which, according to the OECD, averaged an annual 16.5 percent expansion in vol-

Diversification into new markets and institu-tions has played its part in consolidating bank-ing activities, although with a share of more than 26 percent in gross domestic product, banking, insurance and finance combined almost rival that of industry's 29.5-percent share.

Bank profits before provisions, after climbing in the early 1980s, peaking in 1983 at 68.7 billion francs and dropping to 67.9 billion in 1984, still account for a sizable chunk in tax revenue to the Luxembourg authorities, without which the Fi-nance Ministry would find it harder to balance income and expenditure.

embourg noted in its 1984 annual report: "The partial redirection of the activities of the Lux-embourg financial center has benefited employment in the banking sector, which increased once again in 1984, going up by 358 to reach a total of 9,382 persons employed in December."

The numbers employed in the banking sector

Moreover, as Banque Internationale à Lux-

represent almost six percent of the grand duchy's total employment, compared with just 3.7 percent in 1974. Curbing unemployment and bailing out the

steel industry have left their dents in the grand duchy's public finances. As government officials concede, the rescue plan is the principal reason behind the budget deficits seen in recent

numped into restructuring the steel sector, the

slight surplus.

Strict budgetary control has been one of the watchwords of the former government, and the present administration, under the continued stewardship of Mr. Santer, is maintaining this course, submitting a draft 1985 budget that projects a small surplus of just under 1 billion

The government will need all the revenue it can get in the future, committed as it is to a policy of industrial diversification without selling out the steel industry. To achieve this, it is maintaining temporary indirect and direct taxes first imposed in 1983 until the steel sector is

back on the right tracks.
Since 1976, the grand duchy has followed an ambitious program to attract new industries in sectors ranging from high technology to aluminum. As of the end of 1984, nearly 4,000 new jobs had been created by some 58 firms taking advantage of tax breaks and good industria

locations to set up plant in Luxembourg.

The figures, although small in relative terms. count for much in a small country of 999 square miles (2,588 square kilometers), where about 2,780 unemployed make up 1.7 percent of the labor force and where "smallness" has never "Had it not been for additional expenditure proved a handicap in coming to grips with pressing economic and industrial problems.

2000

Do Funds Prefer Home-Style Haven In Grand Duchy?

EDINBURGH' — When international fund managers or investors are comparing havens, Luxenbourg can lose out despite the Another British fund manager bourg can lose out despite the strength of its bank secrecy laws.

Other factors — ranging from a slow administration to high fees. from differences in legal systems to memories of past scandal — often get in the way of Luxembourg's

To quote one fund manager, whose group has domiciled several funds in faraway Caribbean Islands, he has rejected Luxembourg because "all I get is harrassment, of Luxembourg create a problem. They are nitpickers and make life for fund managers who "do not miserable because they want Lux-know who the shareholders are." embourg to be taken seriously, and not just to be treated as a taxhaven. Yet when we really needed authorities, as in the Ambrosiano case, they were not there, and told us 'we are only a haven.'

While this fund manager is perhaps harshest of all about Luxembourg, other British managers funds also have had difficulties with Luxembourg, John Wood, lawyer for the fast-growing Dunedin fund management company in Edinburgh, explained why his group's offshore preferences are Bermuda and Guernsey: They are reasonably close to our standards because the legal systems follow ours. You can't even have a 'unit trust' in Switzerland and I am not sure we would find a Luxembourg SICAV as attractive," A SICAV is a closed-end fund which is publicly quoted in Luxembourg, but, unlike British investment trusts, it is redeemable at asset value, not the

Another problem Mr. Wood for its Capital Preservation Fund cited is the "sheer legal costs, costs International." of maintaining a quote, costs of

Group is the oldest operator of Capital Preservation. investment trusts in the world, has three offshore funds —for Europe, Asia and America — operating out of Luxembourg, Yet Mr. Parkin's group decided not to use Luxembourg as the domicile for its new money-market and bond funds, ket for the composite currency, was tation gives us access to our actual and set up in Jersey instead. These considered But, according to fund and potential clients in those counfunds allow investors to switch manager Xavier de Bayser of the tries." His group considered setting from one currency to another and Paris bank, another advantage of up in Switzerland rather than Luxfrom long- to short-term. "Luxem- Luxembourg was that "unlike ler- embourg when the fund was set up bourg couldn't do a multiclass sey, we could set up a SICAV in in 1980: "What we did in three share structure because under their Luxembourg. In Jersey we would country law it meant a long, drawn-out affair, we were told by our lawyers there (Elvinger & Hoss)," have had to set up a mutual fund." By using the SiCAV model, the operators of the ECU-denominat-

said he thought that "getting a list-ing on the London stock exchange is easier to achieve than a listing in Luxembourg and means more to me." Channel Islands funds allow British corporate tax refunds to be claimed. Being a telephone call away means that local staif can be kept to a minimum, cutting costs.

Mr. Parkin said that he also feels that the secrecy and bearer shares Not only is there danger of prob-lems with the U.S. Treasury over the bond fund — which can only be sold to non-Americans - but also "we can't use the share register as a marketing tool." To Mr. Parkin. 100, "it is an unclear grey area if Luxembourg counts as a recog-

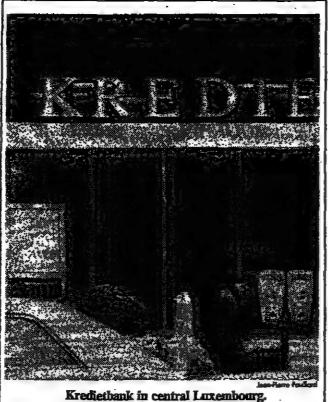
nized stock exchange if we want to market funds in Britain." Yet, for others, the Luxembourg Then too, as Mr. de Bayser extradition of bearer shares and its plained, "it is possible to have a recent secrecy law are an attraction. And because Luxembourg is in the Common Market - which the Channel Islands are not, Japanese institutional investors may buy Lexembourg funds, but not

Jersey or Guernsey ones.
When Capital Preservation Fund was going international from its Palo Alto, California, home, it decided to put the offshore fund in stock market link. U.S. or U.K. Luxembourg to tap the Japanese institutional market, And for marketing reasons too, the U.S. manag-ers preferred to be within the EC

Luxembourg has a better image prospectuses."

Mark Adam Parkin, whose Foreign & Colonial Management according to Seth Bernstein of

When Credit Chimique of France was seeking a site for its to invest in our fund in Beigium or innovative open-ended mutual in Germany," said Jean Pierson, fund (denominated in European fund manager of Cortexa, Interna-Currency Units, or ECUs), Luxem-tional, a Luxembourg fund run by bourg, which is an important mar- France's Paribas group. "But quo-By using the SICAV model, the



ed fund, which is called Monceauholdings are "a collateral base Europe, can opt whether or not to which you can borrow against," ac-cording to Gilbert de Botton, chairredistribute income; if it is not distributed to shareholders it can be man of Global Asset Management which has yet to benefit from that advantage. "This is not the case for holdings in Liberia or Panama." GAM has three funds each in Berreinvested automatically, thereby giving the fund an assured rate of growth as long as it performs well. mode, Bahama and Curação, plus client in overdraft with the SIsix British funds, but none so far in CAV." In effect, the fund, which is aimed at corporate treasury and British Investment Trusts may insitutional accounts, will lend to

on the basis of net asset value -- at

law, closed-end quoted funds often

are quoted at a discount because

operate to regulate the listed price, as they do in Luxembourg, Still,

months would have taken us two

Another Luxembourg advantage

years in Switzerland," he said.

ng quoted is a marketing tool.

"Individuals cannot be solicited

and do borrow to provide capital to shareholders who may have a increase investments for their short-term deficit in their accounts Many U.S. money market funds Legally, U.S. citizens cannot also offer this option.

seek Luxembourg fund ownership. Americans are not allowed to purchase funds whose prospectu have not been approved by the U.S. Securities and Exchange Commisauthorities do not allow prices of funds to be set by the managers sion. However, most Luxembourg the same time supply and demand are working. Under U.S. or British funds will accept such investments. on condition that the paper trail is not direct; that means a check from a non-U.S. bank, a foreign address, a cut-out. The only exceptions are fund managers cannot themselves funds aimed specifically at foreign purchasers of Treasury bills, like the Luxembourg Capital Preservation Fund, or, for that matter, the Jersey Foreign & Colonial Reserve Asset Fund Ltd.

> For Americans to hold such Treasury-bill funds not only violates securities laws, it also is tax evasion - an even more serious embourg banks are under no oblioffense when the funds are buying gation to provide information on U.S. Treasury paper. Tax evasion, however, is why many investors go offshore in the first place, so for more widely-invested funds, there is a tendency to not question the investor too closely on his national-

The Incentive System: More to Come

LUXEMBOURG — With its secure position among the world's leading financial centers, Luxembourg has learned to fine-tune its incentives to the rapid shifts in global borrowing and believe that it is intimately tied to the birth of the Euromarket and, particularly, the Eurobourd market." Edmond Israel, executive board members to the rapid shifts in global borrowing and

With new investment instruments springing up through deregulation and liberalization, the and duchy's 117 banks cannot afford to fall behind in the race to offer customers the best

"Our policy is, and must be, to develop spe-cial opportunities and to find special niches," said Jean Krier, general manager at Banque Internationale à Luxembourg, one of the coun-

The escalation in the number of new invest-ment vehicles, while offering clients a wider spectrum of funding possibilities, also has its inherent dangers in the threat of overshadowing more orthodox but tried and tested instruments.

Luxembourg-based bankers, in recent interviews, insisted that the general policy of banks operating in the grand duchy lies in fashioning an alliance between the more traditional finan-cial incentives available to customers and the new instruments emerging on the world's finan-

In Luxembourg's special case, the key element of its emergence as an international finan-cial center was the ability to mold its market place to suit the shape of the forming Eurobond market and Euromarket during the early 1960s. In fact, the name of Luxembourg became

synonymous with Eurobonds. "As far as, at least, the initial stage of development of this banking center is concerned, I

The incentives for Eurobonds were already in place in the grand duchy: the absence of any withholding tax on interest paid on foreign bonds out of Luxembourg; a stock exchange designed from its creation in 1929 as a vehicle for the listing and trading of international securities; and the presence of a number of banks with the expertise to act as paying agency and

safe custodian of international securities. The incentives were in part responsible for the development of the Eurobond market from a total issue volume of barely \$300 million by 1963 to a cumulative total of nearly \$300 billion

The compulsion to move with the times and to keep abreast of new developments by constantly ensuring that the right incentives remain in place has helped to keep Luxembourg in the top league of players in the Eurobond market.

market share in Eurobond issues, after slipping to 16.3 percent in 1982, has regained a firmer footing over the past two years, rising to 24 percent in 1983 and 21 percent at the end of

However, the task is arduous, Luxembourg's

rencies, Luxembourg's market share has shrunk from a peak of 11.4 percent in 1979 to a present 8 percent, though the rapid rise of the dollar against the Deutschemark - in which almost 40 percent of Euroloans extended by Luxembourg

whittling down the proportion, bankers said

A potential threat to the incentives offered by Luxembourg in its role as a Euroboad market player — the abolition by the United States last year of withholding tax at source on interest payments to U.S. nonresidents on securities —

in fact failed to materialize. Whereas the American regulations required U.S. securities to be issued in the name of the holder, Luxembourg's strict bank secrecy laws continued to ensure that European investors enjoyed anonymity in their transactions, often a vital ingredient and powerful incentive in in-

vestment portfolio management. The absence of any noticeable funds moving out of the grand duchy following the U.S. relax-ation, which was quickly followed by similar moves in West Germany and France, appears to suggest that the incentives Luxembourg offers in its handling of Eurobond business are strong enough to withstand the pressures of officially sponsored liberalization and bank deregulation eeping the major financial centers.

Incentives, apart from the official tone of liberal banking prevailing in Luxembourg, also embrace the policies individual grand duchy banks pursue to win and maintain customer confidence in the attractions of using Luxembourg for placement and funding purposes.

For example, the growth of the European Currency Unit and the Luxembourg franc into major investment vehicles over the past two years has been the result of a concerted effort by

Scoring Top Points in Secrecy Debate

cret bank records in a civil law suit. Similarities outweigh differences. Both codes are the only ones in Europe that provide punishment by prison and fine to any bank officer or employee who knowingly divulges information about a deposit. In Switzerland, the penalty is six months prison and a fine of 50,000 Swiss francs for a knowing breach and 30,000 for an inadvertent disclosure. In Luxembourg, it is eight days to six months in prison and a fine up to the equivalent of 50,000 Swiss francs. In both countries, the offended depositor may also seek damages in a civil suit against the offending bank employ-

In commercial disputes under civil law, whether conducted in Luxembourg or abroad, the Luxclients except in cases of bankruptcy and attachment. In Switzerland. much the same procedures apply, although different cantons have varying obligations for providing information in civil suits. In matpelled to disclose the value of for- access to its banks to tax evaders, measures are a guarantee that Swiss eign-held accounts to survivors. In and purveyors of flight capital, secrecy will remain strong and du-Switzerland, by comparison, the These pressures reached such cre-rable. Their explanation is that if banks are compelled to give an accounting to the lawful heirs.

felony, either in a local or foreign court, the banks can be commanded to lift all secrecy from the account of the accused. In the event of proceedings in foreign countries, however, both Swiss and Luxem-bourgers reserve the right to determine whether the proceedings stem from a truly criminal act or whether political motivations are decisive. In the latter event, both countries reserve the right to refuse to allow their banks to cooperate. in tax matters, Luxembourger

and Swiss practices part company. However, while Luxembourg re-mains undisturbed by pressures ry of the deposited money. from foreign tax authorities, Swit-

scendos with the United States in Swiss banks allow their rules on the late 1970s that Washington au- confidentiality to be used by crimi-Crimmal procedure is almost thorities were threatening to close nals and tax fraud perpetrators, identical in both countries. If the down Swiss banking operations in both the Swiss populace and the depositor has been charged with a the United States unless the Swiss international banking community cooperated with U.S. tax authori-

Faced with such penalties, the Swiss prudently decided to negotiate a treaty on mutual assistance in criminal matters with the United States. The pact went into effect in 1977. Since then, the Swiss have taken a whole range of legal actions that, in effect, authorize Swiss banks to cooperate with foreign banking and legal authorities in combatting the misuse of Swiss banking by criminal elements abroad. One part of this movement In principle, both countries seek to has been an agreement among resist the intrusions of foreign tax. Swiss banks to refrain from acceptauthorities and recognize only seri- ing money either from a depositor ous tax frand, and not mere tax or a fiduciary agent unless the bank evasion, as a punishable offense, can determine the true origins of

Swiss bankers contend that these zerland for years was subjected to measures by no means represent a the Luxembourgers might also be ters of death and inheritance, the harsh demands by major neighbors dismantlement of Swiss banking -VIVIAN LEWIS Lincembourg banks are not com- and the United States to bar its secrecy. Instead, they argue, such

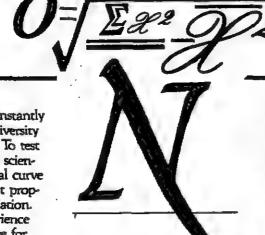
will become so distrustful and enraged at Swiss banks that they would lose their position of trust

both at home and abroad. And in that case, what will be the value of banking secrecy? The answer, of course, is none. Although Swiss bankers are far too discrete to allow themselves to be quoted on the issue of Luxembourg's claims they do say, off the record, that Luxembourg can indulge in the luxury of crowing about its secrecy only because it is a relatively small financial center that has not come under the same stresses as Switzer-

Furthermore, they point out that the crucial difference between Swiss and Luxembourger banking secrecy law is that Luxembourg law has not yet been challenged. If put to severe tests, the Swiss suggest compelled to come to compro

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always in a position to propose an

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A SPECIAL REPORT ON LUXEMBOURG

Electronic Trading Highlights Wide Diversification of Funds

LUXEMBOURG — Spurred by deregulation and competition in the world's major financial markets, traders and dealers operating out of Luxembourg are not alone in learning that earning a living by lightning reflexes and razor-sharp wits no longer suffices to stay one step about

step ahead.

Dealing in different time zones, at the drop of a dime, covering forwards and hedging spots, con-cocting currency cocktails and fixing bond prices at a moment's notice for the right customer at the right time - dealers are the lifeblood of banks.

But they also need arteries along which to flow. The Luxembourg market, like its counterparts in New York, London, Zurich and Frankfurt, has become aware of the need for electronic and computerized trading systems to act as con-duits for the efficient channeling of

Euroclear and Cedel, the two international clearing houses for Eu-robond trading, are well and long established in the art of using highpowered centralized computers to process clients' transactions and communicate directly with trading

Now individual banks are gearing their technical resources increasingly to the concept of an integrated electronic trading room, where information systems, communication modules, data flow and trading instruments combine in a

single package for the dealers.
Skandinaviska Enskilda Banken
(Luxembourg), the Luxembourg
subsidiary of the Swedish parent, is the latest in a line of Luxembourgbased banks to introduce a fully computerized in-house system to combine all its electronic resources at the disposal of its trading opera-

As well as linking access to a continuous flow of instantly updated information and news from such outlets as Reuters and Telerate, the two computers at Skandinaviska calculate, process and amend in split seconds complex arbitrage, spot and forward quotations of all major trading currencies and their counterparts on the Euromarkets.

The Luxembourg system is also linked to the major computer network at Skandinaviska's Stockholm headquarters, providing in-stant communication with its central trading room. "We're happy with the system as it provides us with a fast and effi-

Luxembourg-based banks to ac-

tively promote the two currencies in the field of private banking.

unit, finding its way into a thriving

interbank market made up of about

200 commercial banks and volume estimated at around 10 billion ECUs by the end of 1984. More-

over, short-, medium- and long-

term ECU loan markets have

Public issues of ECU-denomi-

nated Eurobonds have swelled

from a total issue volume of \$207.7

million equivalent in 1981 to more than \$2 billion issued in 1984.

"The background to all this is that to develop a new investment instrument a lot depends on the policy that is followed by the banks

and that is applied to the market,"
Mr. Krier said.

"If, for instance, the banks pro-

note with their customers a formu-

ticed from our own experience that

there is a very large potential growth, and Luxembourg banks, in

particular, over the years have con-

siderably promoted the ECU with

The incentive on the part of Lux-

embourg banks to promote the ECU and the Luxembourg franc

has found tangible expression in the growing numbers of fees and

commissions flowing in from pri-

rate and institutional investors in

Switzerland, West Germany and

France, whereas past investor in-

terest was largely confined to the

As part of its incentive policy, Luxembourg as a financial center has played a major role in creating

and fostering new monetary units

running parallel to national curren-

their customers, with growing and considerable success." the banker

la like the ECU, then we have no-

le du

ilities

ional

The European Currency Unit has rapidly emerged as much more than a mere artificial accounting

Bursting out of its traditional swapping in and out of currencies mold as a purely Euromarket center, where commercial banks main-

ly went about the business of arranging syndicated credits, Eurobonds and traditional interbank transactions, Luxembourg The Luxembourg

market has become

aware of the need for computerized trading systems to act as conduits for the efficient

has sought to diversify more into the fields of private hanking. With this development, a shift in

channeling of funds.

emphasis has also taken place on the trading-room floor, Instead of focusing resources primarily on in-terbank market transactions, acting on behalf of large corporate clients, sovereign borrowers and institutional investors, banks are also offering trading services for the individual clients.

A multitude of trading instru-ments are available for Luxem-bourg banks — and indirectly their clients -- to choose from.

The spectrum ranges from orthodox currency-related vehicles such as floating-rate Eurodollars, European Currency Unit, certificates of deposit and Deutschemark-denom-inated Eurobonds, to more cominated Eurobonds, to more com-plex deals on the commodities and precious-metals markets, as well as in the options and financial futures

It, together with the other do-mestic Luxembourg banks, also in-creased its activity in the secondary markets of the Eurobond sector.

As one dealer at a West German bank in Luxembourg commented: "If it moves, trade it.

The escalation of the number of trading vehicles has opened up new financial possibilities, often blurring the traditional contours of

"While the benefits to the individual customer are numerous, it cient means to best service our international clients," said Gunnar
Oisson, managing director of Skandinaviska's Luxembourg operabourg banker said.

With 1995, intertuing stocks.

It is a stock of the stock bourg banker said.

(Continued From Previous Page) cies, with the aim of reducing the corporate and government fixed-

movement in the value of a single

national currency could have on

the well-being of the Eurobond

Such composite currencies in-cluded Special Drawing Rights, European Composite Units and European Units of Account, all of

which found a specialized niche but

failed to gain the prominence that ECUs have won in European inves-

Another incentive to trading in

these basket currencies is that al-

most all the issues in one or another

of these units are quoted on the

Luxembourg stock market, en-

hancing its role as an exchange for internationally traded securities. With the intention of providing a

further inducement to the diversifi-cation of the ECU market, Banque

Internationale à Luxembourg in February last year launched certifi-

cates of deposit with relatively low-

issue unit values to attract private

"These certificates were made as

flexible as possible, our bank hav-

ing undertaken on the one hand to

buy these securities at any time at

the day's rate and on the other hand to offer the possibility of re-demption at due date for instal-

ments due before final maturity,"

1984 annual report.

Banque Internationale said in its

Moreover, this year the bank will offer its clients the first travelers'

checks in ECUs. This, together

with the fact that the unit is now

officially quoted in Paris, Brussels, Rome, Milan and Copenhagen,

suggests that the ECU is rapidly

assuming the role of a genuine and

number of financial arrangements

await the investor. The presence of

portfolio management resources,

covering anything from short-term

deposits, certificates of deposit,

widely used European currency.

The Incentive System: More Is to Come

market overall

tors' portfolios.

Now in its 129th year of opera-tions, it has built up an established track record in all the principal markets on tap in Luxembourg. It participated as agent for the first Eurobond issue, a 5.5-percent,

\$15-million bond issue for Italy's Autostrade, which launched the Eurobond market in 1963, now grown to reach a record new issue volume of \$77.1 billion equivalent at the end of 1984.

It has also been prominent in the emerging ECU and Luxembourgfranc markets, with the bank's gen-eral manager, Jean Krier, noting that one of Banque Internationale's prime aims was to increase the proportion of the bank's management, either as lead manager or co-man-ager, in the Eurobond sector, par-ticularly in the ECU market.

Commenting on the Eurobond market in 1984, the bank's annual report for last year stated: "As in the two preceding years, we ob-tained our best results in the ECU

"Luxembourg banks have partic-ipated more and more actively in the arrangement, and in the management, of ECU issues," Mr. Krier noted in a recent interview, citing as an example Banque Internationale's lead management of a 35-million-ECU eight-year issue at 9 percent for the international finance arm of Philips, the Dutch electronics firm. This was the first of its kind for a large European industrial company.

On the Luxembourg-franc bond

market, Banque Internationale managed five public issues and, in addition, was joint lead manager for five other issues, as well as arranging three private placements.
The list of Euroissues in which

Banque Internationale held a market increased to 208 in 1984, com-prising 118 issues in dollars and 90

engaging in the underwriting and placement of these bonds as well as trading of these securities on the secondary market.

The Luxembourg stock market also provides a forum for trading in Luxembourg. In 1984, it had hitherto unmatched intense activity, in banking and merging to entice the particular on the primary market, borrower and lender to take or According to official figures, the number of admitted quotations reached 519 last year, compared with 351 in 1983, including 469

Trading volume grew by a total 18 percent in 1984, with fixed-re-turn securities up 17.3 percent on One of the leading players in the turn securities up 17.3 percent on Although the computerized sys
Luxembourg trading arena is Ban
1983 levels, while turnover in

convertible bonds and common

stock, is viewed among bankers as

an increasingly popular induce-ment to draw private investors to

"The development of portfolio

management, as well as the brisk

growth in investment funds, reflect

another logical move by banks to-ward diversification into other

banking areas and can only be wel-

comed as providing another incen-

tive to attract investors to Luxem-

bourg," said Pierre Jaans, director

general of the supervisory Luxem-

bourg Monetary Institute, in a re-

On the official side, the strength-

ening of bank secrecy laws enacted

in 1981, the removal of value-added tax on gold trading and the absence of a withholding tax on

nonresident deposits, have also

provided important incentives to

Moreover, legislation permitting banks to carry fiduciary deposits

from large customers on an off-balance-sheet basis serves as an in-

centive for Luxembourg banks to build up their business in this field

and compete with Swiss counter-parts, which have had massive fidu-

ciary deposit inflows swell their

off-balance- sheet transactions in

Interest and currency swaps,

which allow borrowers the flexibili-ty of raising fixed-rate funds to swap debt with other borrowers

raising floating rate money, often

involving several currencies and interest rate permutations, as yet have not proved a specialty of the

However, bankers added that

ties should prove further incentives

assuring Luxembourg's future as a

- MICHAEL METCALFE

major financial market place.

Luxembourg market.

In the other areas of incentives, a these swaps and the burgeoning umber of financial arrangements market in Euronote issuance facili-

cent interview.

recent years.

the Luxembourg market.

wick (more or less) sound the same

clude Gillette (for a nonelectric Digest, and a junior-year-abroad shaver) and buggy (for a railroad program run by Miami University car). Yet, as Mr. Christophery adat Oxford, Ohio. And there is a mits, these similarities are not proletarian novelist." Guy Reven- proof of a common linguistic beri-

tage so much as accidents. grand duchy, and stripped away by avaricious neighbors (like Louis XIV or Leopold I of Belgium), dialects related to Letzebuergesch are still spoken in the countryside today. In Thionville, France, a group of parents have chosen to educate their children in something they call francique, which they are the first to admit is nothing but Letzebuergesch. Half of the Belgian

province of Luxembourg still contains people who speak Letzebuer-The German natives of Rhineland-Westfalia, to a point somewhere to the east of Bitburg, also

Chancellor Helmut Kohl but known, they could have opted to avoid visiting Bitsburg's now-note. rious cemetery for fear, not of SS graves, but of offending Luxenbourg irredentists. In areas formely ruled by the

banking has grown to open up new vertible bonds and common stock

To quote the Lëtzebuergesch epic, "Renert," by Michel Rodange (published in 1872), most Luxenbourgers would not want to trouble Blous dat, wat brengt en Notzen

certificates of deposit, corporate

and government fixed-interest

bonds to floating-rate notes, con-

can be geared to meet the individ-

ual customer's needs by trading the

investments on all the major stock

exchanges, including that of Lux-

embourg.

By switching the funds generated

by the investments from one mar-

ket to the other, not only is the rate

of return assured for the investor in

most cases, but also the bank tran-

sacting the trading stands to gain in commission and fees.

- MICHAEL METCALFE

dat hale mir fir weis; Fransous och beim Champagner, beim Rhäinwäln si mer Preis. Or. in Mr. Christophery's trans-Only that which increases our

We do think wise and humane: Although French when stpping



Promenade along the capital's ramparts.

range of activities, particularly as

the diversification into private

horizons in bank strategy and man-

ment, resting in the books of banks on behalf of individual clients, or

they can be placed in the trading

Portfolio management, covering

portfolio of the individual bank,

Bonds, for example, can either

stocks, investment funds and share has broadened and deepened its certificates rose 20.7 percent.

The official Luxembourg stockmarket quotation comprised 2,712 securities at the end of 1984, compared with 2,070 at the end of 1983, agement representing more than 1,000 issuers from 70 countries, and the fig- be viewed as a long-term investure of 3,000 listings in securities is expected to be exceeded during this year, share analysts forecast. New Luxembourg-franc bond is-

sues admitted for quotation last trading on a regular basis on the year totaled 14, amounting to 11.2 secondary markets available in year totaled 14, amounting to 11.2 billion francs, the highest total

(Continued From Page 9)

Trading in Luxembourg, then, anything from short-term deposits.

Luxembourg.

The Duchy Makes Lëtzebuergesch Official

ing, according to a promotor of Luxembourg culture and language, Jul Christophery, the National Library director. About 250 books are published each year in the grand duchy (not counting EC paperwork) and about 15 or 16 each year are in Letzebuergesch. One of Mr. Christophery's own articles, republished in 1978 in his

collection of essays, "The Luxem-bourgers in Their Own Words," at-tempted to show the affinities between Letzebuergesch and English, which occur often where a corresponding New High German word does not exist. Cap, ham, plow, oats and cabbage head, claw and

in Lètzebuergesch, Other English borrowings in-



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第二5年30年3月

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Same of the same

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han you think.

Luxenth William

Eurobanking cent

The Crown Prince Is Also A 'Financial Ambassador'

Henri, crown prince of Luxem-bourg and duke of Nassau, is also the grand duchy's financial am-

The prince, as chairman of the 12-member Board of Economic Development for the past two years, promotes Luxembourg's business and banking attractions abroad.

"It is difficult for a small country like ours because we are small and can't be present everywhere, so we need the help of local niends," Prince Henri said in an

He said Luxembourg was "aiming mainly at two countries, the United States and Japan." He recently visited the United States, Japan and Sweden. The board has offices in New York and To-

The second U.S. office will be is a place where business is being

LUXEMBOURG - Prince done," he said. "We haven't decided yet if it will be in Los Angeles or San Francisco." The board aims to bring new

diversified investment to Luxembourg. "We are interested in fi-nancial investment." the prince said. "Luxembourg is known as a financial center. But, we can't be totally dependent on imance, just as before the 1970's we were totally dependent on steel. So, we are trying to diversify, in attracting industries also."

"We are trying to attract small-er high-tech and even low-tech industries. . We are seeking electronics and biotechnology com-panies both in the United States and Japan."

The prince, who is 30, graduated with honors in political science and economics from the University of Geneva.

There is nothing unusual about my role because many oththing," he said. "I am thinking of



Prince Henri of Luxembourg

promoting my country. And be-

The same applies to Margot and Tony Tintinger's Clairefontaine, which opened last November in a

restored and refurbished former

merchant's house facing Notre--Dame Cathedral. Their lish speci-

The third establishment, run by

tional restaurant in a house dating

Furnished with dark oak panel-

offered its clients a sedate setting

for a seasoned blend of domestic

Mrs. Jules Werner, is a more tradi-

alities include trout and sole.

Albert of Belgium or Henrik of ing royal opens doors. After all, Denmark. It is normal that I people are interested in seeing should play a more active role in what a prince is like."

Taking One's Time With the Local Cuisine

cuisine is quickly eaten up, a bad one even more rapidly." With their food, the Luxemburgers know how

to take their time.
At the confluence of two cultures, French and German, Luxonbourg cuisine combines the finesse portions of German fare.

embourg like to frequent three of the grand duchy's main restaurants

Saint Michel, Clairefontaine

and Au Gourmet. All of them share the attraction of good wine cellars, collected over several decades, and a cuisine that hold its own with some of the best in neighboring France, Belgium and Germany.

The ambience at these restaurants, especially at hunchtime, is conducive to bankers' banter; the surroundings are tranquil but the service is speedy, efficient and unobtrusive. Although a large proportion of their clientele is made up of Official sta bankers in transit, the restaurants are also frequented by resident Luxembourgers and the large inter-national community from the multinational organizations that are hased there,

The menu, particularly those ca-

According to Gault Millau, the embourg white wine, such as a 1982 magazine on French cuisine, Lux-embourg fare is "sturdy, honorable Saint-Michel run by Pierrick and just a little on the conventional and Lysiane Guillou, carries the

If there are national dishes of of French cooking with the ample portions of German fare.

Visiting businessmen and international bankers coming to Lux
and schmitzel with Germany, then a mum three stars. good place to find them are at Restaurant du Commerce in the old section of the city of Luxembourg. chel offers excellent turbot and

Located on the leafy Place salmon more in the tradition of d'Armes, where brass bands play French cuisine than that of Luxemand Luxemburgers promenade, the restaurant is full to overflowing at lunchtime. Smoke and the smell of pork cooking hang heavy, while sturdy and burly locals dine.

The portions are huge and leave little room for deliciously light pastries and quetsch tarts. Specialties of the house are pork dishes,

Official statistics show that the to 1673, located just behind the Luxembourger consumes yearly an Place d'Armes. average of 7.5 kilos (16.5 pounds) of butter, 85 liters (22.1 gallons) of milk, 57 kilos of bread, 29.2 kilos of beef, 6 kilos of veal, 42.5 kilos of pork, 129 liters of beer and 41.3 liters of wine.

iters of wine.

and French-inspired dishes, rangone of the country's fish specialing from local jellied pigs trotters to

LUXEMBOURG — A Luxenbourg proverb notes that "Good beavy sauces and filling dishes kept chesse, stuffed trout in a wine herbes fraiches to l'entrecote au cuisine is quickly eaten up, a bad to a minimum.

The trout, clean and white--fleshed, is served on a bed of green herbs, including parsley and cherdistinction of being the only Lux-A crisp white local wine, either of the Elbling or Rivaner variety, pro-vides a natural complement to the embourg restaurant awarded two

According to Pol Tousch's cook-book, "Le Livre de la Cuisine Luxembourgeoise," published in French and German by Verlag Wolfgang Hoelker in 1980, pike is also ascribed a worthy place in Located on a bend in the narrow. winding Rue de l'Eau, Saint-Mi-

Luxembourg cooking.

Tradition has it that in the first half of the 18th century, Grégoire Schouppe, Abbot of Echternach on the Luxo-German border, dispatched two of his monks on a spying mission to the monastery at Orval, which had gained a name for is one of the oldest of these houses superb fish recipes, according to Mr. Tousch's book.

Pike was also used ground up and added to warm beer to cure fever among the sick, the author

If all this does not strike your fancy, Luxembourg also offers red ing and plush claret-red velvet, An meat, including jugged hare during Gourmet over the past 40 years has the hunting season, and calf's liver dumplings served with sauerkraut

Time Off: Vianden's Window on History

this jewel set in its splendid scen-ery, characterized by two, both comforting and magnificent ele-ments: the sinister ruins of its for-tress and its cheerful breed of tress and its cheerful breed of roque altar and cross-ribbed vault men, Victor Hugo wrote in 1871. of late Gothic design. An international banker visiting

Luxembourg with a few hours' respite will find it easy to hire a car and make the 30-kilometer (19.6mile) trip to Visaden. The proximity of this little town, made famous by Hugo, who was exiled there, lends itself readily to

the kind of excursion that a tightscheduled business trip could al-The house where Hugo lived from June 8 to August 22 still stands, housing the poet's furni-ture, letters, documents and sketch-

es of that time. Even if this town of 1,500 inhabitants cannot boast the whole of Europe on its doorstep, it has its fair share of visitors, proving one of the biggest tourist attractions in the

grand duchy.

Nestling on a bend in the river

Our, looking out on valley slopes
speckled with vacation cottages toward the border with West Germa-

Despite the small electronics companies and a huge hydroelec-tric power station complex on its outskirts, the 1,000-year-old town's largest single source of income is

The lack of large-scale industrial development has preserved the charm of the site, studded with medieval houses and churches in hues of brown and yellow.

Spring is a good time to stroll through the quiet streets around the 10th-century castle, perched on an outcrop of rock overlooking the

Below the fortress is the Squat Tower, its crumbling battlements dating to the 12th century, and below that winds the Grand Rue, the main artery of Vianden's historic old town, lined by a crooked row of houses once owned by the local nobility.

The town hall, dating from 1469, still standing, while another houses Vianden Museum, displaying furniture, utensils, tools, ornate chimney-pieces cast in the 16th and 17th The Grand'Rue also has an

spothecary shop of 1475, lined with stone mortars and pestles, scales, burners and bellows used to concoct Medieval brews.

ings served with sauerkraut
On this street there is also the funds money now as two years ago, in Luxembourg what is happening bouses to banks and offices — and in the grand duchy is mostly addeveloping a nasty international-ministration. Research and decistyle real estate mentality to match.

VIANDEN — "Before long, the with its wooden altar carved in whole of Europe will visit Vianden, 1758 by three local artisans. Other attractions in the old town include a former plague chapel now used as a sacristy and the Church of Saint Nicholas with its fine ba-

> A reminder of less peaceful times is the town's new bridge across the Our, built in 1949 to replace the old stone bridge blown up by German troops as they retreated from General George S. Patton's U.S. Third Army in the closing stages of World War II.

> Now, 40 years later, small groups of American and German veterans strolled through the streets of Vianden, reliving past campaigns, de-feats and victories over krugs of local beer and beakers of ice-But it is the castle at Vianden

that overshadows all. The largest and best-restored of Luxembourg's myriad medieval fortresses, the stronghold's oldest parts date to the 10th century.

During its 1,000-year history, the sified as a ruin castle has witnessed wars, fires and It was ceded to the state by the



The castle at Vianden.

then owner, William I, King of the Netherlands and Grand Duke of auction, seven years later to be clas-

earthquakes, exchanging hands nu- present Grand Duke Jean in 1978, merous times until 1820, when its and systematic reconstruction has tle's former austere splendor, while Luxembourg, put it up for public bringing it up to date with facilities such as a concert hall, conference

- MICHAEL METCALFE

ny, Vianden resis comfortably in Banking: In Search of Brand Image? Eifel region.

(Continued From Page 9) data from the Institut Monétaire

Luxembourgeois. Even the European currency mit, an instrument invented in Lintembourg, is beginning to outgrow this marketplace. Last month, an institution not even present in Luxembourg, Crédit Suisse-First Boston, lead managed its first ECU bond, 200 million for New Zealand. Paribas placed an ECU issue for an Australian bank with Japanese investors through its Hong Kong office. Credit Suisse's Lonbranch, the fastest-growing ECU dealer, has lured away the chief ECU bond dealer of the leading Luxembourg ECU house, Leon Kirps of Kredietbank Luxem-bourg. In 1985, Luxembourg will not match its 1984 success with the ECU - its bank being in the syndication of every issue in the composite currency, its stock market listing every single new public issue.

To make up for its sinking share of Eurobond business, the authorities are trying to make this a fundmanagement center. Under a twoyear-old law, there are 132 Luxembourg mutual funds, with just under 400 billion Luxembourg francs under management, Luxembourg has twice as much mutual for most other "money managers"

law. Yet, the largest Luxembourg funds are losing place to competi-tion from their home market. The dominant mutual funds here are Italian, and under a new law, Italian investors can buy mutual shares at home, something they are doing in overwhelming numbers. According to Sole 24 Ore, a Milan publication, Italians had already invested 1.165 trillion lire in 25 newly established domestic mutual funds by the close of 1984. Since then, through the end of April, the Italian investment in domestic mutual funds has increased fivefold in four

months, to top 6.663 trillion lire. The effect has been to diminish the amounts available from Italy for investment in Luxembourg funds. The leading mutual fund group from Italy in Luxembourg. operated by Istituto Mobiliare Italiano, managers of Fonditalia and Interfund, alone accounts for half the total invested in Luxembourg mutual funds, \$1.2. billion at the close of 1984. Since then, with the rush to invest in domestic funds, the Mobiliare's Luxembourg mutual funds have actually had a decline

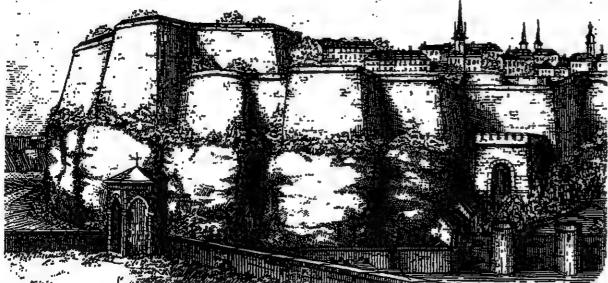
ed under the old holding company sions on where to invest money are done at home or in a third country with the investment analysts that Luxembourg lacks.

Yet, while active portfolio managers are still thin on the ground in Luxembourg, there are some signs that some of the personalities you expect in an international banking center are coming to the mini-country. Although regulation is still handled with a light touch by the Institut Monétaire Luxembourgeois - a sort of combination of the U.S. Federal Reserve, the Comptroller of the Currency and the Securities Exchange Commission — that body is growing.

Now that Luxembourg has hired opinion polisters, their findings are to result in a public-relations promotion campaign by the Bankers' Association to try to make Luxembourg better known and to improve its image.

All eight of the leading international auditing firms are now in Luxembourg, Native-born lawyers these days are turning out Europrospectuses as obscure as those written by English or Americantrained lawyers. And as the bankin their volume of managed funds. ing community grows denser, Lux-But for the Mobiliare's funds, as embourg is converting more for most other "money managers" residential apartments and town-

a strong position in the heart of Europe



Amongst the fortresses of Europe, Luxembourg held for centuries a position of paramount importance. Considered impregnable, its possession was continuously disputed by all the major European powers.

After the dismantlement of the fortress, Luxembourg has become more and more an international meeting-place in the heart of Europe.

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Compagnie Luxembourgeoise de la Dresdner Bank AG

Dresdner Bank International

German Banking Presence Is Expected to Continue

nor of the Bundesbank, the West German central bank, used the occasion of the 300th anniversary of the Berlin Stock Exchange to squelch rumors that he would allow Germans to have U.S.-type International Banking Facilities, similar to offshore banking units, in their

The May 7 remarks of Karl Otto Pöhl led to a Frankfurter Allgemeine Zeitung headline summing up bankers' disappointment: "Lux-embourg ja, Frankfurt nein." Disregarding lobbying by German bankers. Mr. Pohl has ruled out offshore banking in Frankfurt, as well as

Innovation in financial markets based on foreign models must be Ended wherever it could lead to weakening of the effectiveness of monetary policy, which in my view would happen were we to give into the pressure for creating a 'free trade zone' for banking." Mr. Pohl said. "We cannot lightly undertake liberalization that risks endangering our most vital monetary policy

Germany, therefore, is not going to allow domestic international banking centers such as exist in New York or London.

Among those disappointed are advocates of a homecoming of the German banks from the Euromarturned down the arguments by Rainer Schäffer, of Dresdner Bank, who wrote an article concluding that"a free zone for foreign money on Federal Republic soil has only advantages and no disadvantages."

As a result, the representatives of the 28 German banks in Luxembourg have unpacked their baggage. Real-estate agents in the banking belt in the Tannus mountains, outside of Frankfurt, will not be able to raise their prices. Twenty years of tradition for German banking in Luxembourg will not

This is a relief for Luxembourg since German banks dominate its banking sector, both in numbers and volume, and account for about half the aggregate balance sheet totals. The mark is the currency of nearly 40 percent of all bank claims in Luxembourg, whereas it is only 8 percent of the business of banks worldwide reporting to the Baselbased Bank of International Settle-

though like other banks, they are increasing their services to retail customers. In their Euromarket business, German banks are taking up notions and vehicles and instru-

LUXEMBOURG — The gover-tor of the Bundesbank, the West Commerzbank. And Mr. Pöhl centers.

In fact, Mr. Pöhl's negativism about offshore banking in Germany is partly a reflection of his dis-like of these new instruments. He has stated reservations about variable rate notes, swaps, zero-coupon bonds and other tactics for banks to find a way of getting their inter-est-rate risk off their balance sheets. His distaste, he has said, is based on potential interference with monetary policy - and apparently on prudence. But to the extent that risky instruments are confined to Luxembourg, while subject to German consolidation and banking ratios, Mr. Pohl may

tolerate them. Leaving German banks the offshore option may be a tactic to prevent "contamination" of the German system by "techniques and operations of a different psychology," said Volker Burghagen, co-managing director of Dresdner Bank in Luxembourg,
"The Bundesbank has not yet reacted to undrawn lines and li-

quidity guarantees" and other off-Most German banks in Luxem-bourg do wholesale banking, al-though like other banks, they are is not clear what percentage you should include in your capital ratio for consolidation under either Luxembourg or German rules, he added. "My concern is not Jaans



bead of the Institut Monétaire Luxembourgeoise]; the first danger

But the most important forbidden games German bankers play in Luxembourg is dealing in the Euro-pean Currency Unit. "German in-terest is actually stimulated because it is verboten," according to Wolfgang Spehr, managing director of the Westdeutsche Landesbank subsidiary. "The more the Bundesbank talks down the ECU, the more German curiosity in-

Yet the excitement about the possible repatriation of German banks to their homeland is not without importance in the country where they are staying. "Talk about an International Banking Facility in Germany, which I don't expect to happen, has made the tax au- lows banks to switch to their home thorities here think," Mr. Burghagen said. "It will mean no tax pres-

embourg to become "pragmatic," While admitting that Deutsche Bank is provisioning champion in Luxembourg, he insisted that "we would follow the same policy in

While German banks have used provisions to cut corporate profits and taxes, they have not done everything they might have to take advantage of all Luxembourg tax loopholes, in the view of one German banker, Jürgen Förster of Warburg, Brinckmann, The rule al-

currency from Luxembourg francs without taxation of the paper prof-Mr. Storck, whose Dentsche there is no risk that the Dentsche mark will ever fall against the Luxembourg franc, which is not the embourg franc, which is not the case for other currencies like the dollar, German banks that have been in the grand duchy 20 years could switch their accounting curreacy and turn paper profits into reserves or capital without taxes. But they have not all done so --- the

way Warburg, Brinckmann has, Among the German banks still accounting in Luxembourg francs are Berliner Handels- und Frankfurter, Bank für Gemeinwirtschaft, Deutsche and Dresdner.

haps proved the most active in re- 1973.

changing conditions in the interna-

embourg subsidiary on servicing

their restructuring.

Of the five Nordic countries, Luxembourg, opening up ChristiDenmark and Norway have perania Bank Luxembourg in May

structuring their Luxembourg affiliates to take advantage of the Luxembourg, Christiania, Den changing conditions in the interna-

tional financial markets over the Bank, were joined by a fourth earli-

more compelling than before to fo-cus much of the activity of its Lux-

commercial bank, has found it wholly owned subsidiary.

er this year, when Fellesbanken Privatbanken, Denmark's oldest (Union Bank of Norway) set up a

Women Managers **Leading Growth** In Credit Sector

percent of Luxembourg's population, including foreigners, work in the credit sector, a rise of 50 percent from the levels of a decade ago. And leading this growth is the number of women managers.

Luxembourgeoise managers of credit institutions numbered only 10 a decade ago, and today there are 41; foreign women managers, who had five top jobs a decade ago, today number 43. (The total number of managers is 1,100, just under 700 of whom are foreigners.)

The woman with the highest number of people working under her is probably Kaye Wiltshire, vice president and general manager of Merrill Lynch Europe's branch in Luxembourg, with a staff of 16.
A close second is Alix Mores, a Luxembourgeoise, who represents the Istituto Mobiliare Italiano mutual funds in Luxembourg, with a

Not surprisingly, both women are in investment banking, the fastest-growing part of the financial sector in Luxembourg, far outstripping the Eurobond market. The very name of Merrill Lynch makes

set up a wholly owned subsidiary in

Before it decided to strike out

holder in the Luxembourg-based

joint venture Banque Nordeurope,

which offers Nordic and northern

European clients a range of fund-

Finnish banks are also well rep-

resented in the grand duchy, in-cluding subsidiaries of Kansallis-

Osake-Pankki and Union Bank of

Finland, which primarily serve

Finnish corporate clients expand-

ing their activities overseas but

the Eurobond markets.

subsidiaries abroad.

and credit lines.

hich also participate actively in

For the Swedish banks, includ-

ing Skandinaviska, Svenska Han-delsbanken and PKbanken, main-

taining subsidiaries in Luxembourg

means primarily meeting the fi-

nancing requirements of Swedish

companies and their network of

As Skandinaviska's Mr. Olsson

acting on behalf of Swedish compa-

nies as co-lead managers of private

placements and public bond issues

- MICHAEL METCALFE

LUXEMBOURG - About 6 ment, and the Milan firm's Luxembourg mutual funds are 40 percent to 50 percent invested in equities, Unlike classic banking and the narrow world of bond-dealing, it is probably easier for women to operate in the less stuffy world of shares

and options, of portfolio-building Miss Morès is, in fact, a superadministrator, moving funds in and out of currencies at dizzying speed. But she admits that Istituto Mobiliare Italiano in Luxembourg is a

"Officially, all investments are done here, all telexes to buy and sell go from here," she said. "The head has to be in Luxembourg for tax reasons and the board of directors must meet here."

Miss Wiltshire also heads an operation that handles more admin trative detail than risks. "Our analysts are in New York," she said. The Luxembourg Merrill office acts as a liaison with local banks, a transmission belt for ideas and orders between Luxembourg and the markets of the rest of the world "I came here with a specific job,

to serve institutions with equity and bond sales," she explained "The bulk of our business is in shares." She feels, too, that "the Luxembourg banks appreciate us. They are happy to have a local office with updated information."

A sign of the success of the Willshire approach has been the growth in the number of people working under her since she set the office up three years ago, Miss Withshire, who is British, was moved from the Merrill Brussels office to run a staff of five: today, there are 16 persons in the office and presumably a volume of business to justify the numbers. She feels that the trend to bigger volumes will continue. "The banks made their business with deposits, but as rates of interest fall, & they will have to move into the

equity's market," she said.
When Merrill opened its office, it was the only brokerage house in the grand duchy, apart from what Miss Wiltshire described as "a one-man office with a secretary linked to Bear Stearns." But since then, another American brokerage house, Prudential-Bache, has opened in the Old City and it recently got permission from the authorities to add a separately incorporated bank to its Luxembourg presence.
Miss Wiltshire has problems get-

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MIC COME

ting banks to use new instruments. Getting a futures account past the directors of one or another of these banks may take months - but they are accepting options. They will buy OEX stock index puts."

An innovation in the Merrill Lynch office has been the amalgamation of the "back office" with sales. Because of problems with liaison between sales-support pernoted, this can take the form of sonnel and the actual brokers, the Merrill system tries to avoid a gap by having an administrative person sitting next to every sales person. denominated in Luxembourg Since here as elsewhere the former francs or European Currency are usually women and the latter. Units, as well as trade financing men, the office has a nicely integrated look.

- VIVIAN LEWIS

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Nordic Banks Carve Eurobanking Niche

LUXEMBOURG — Nordic press for new loans, Skandinaviska Nordic banks force the pace of the first bank in the Nordic area to banks, which with 16 subsidiaries embarked on a new phase in its their restructuring. in Luxembourg form the second largest regional contingent after the West Germans, have proved adept in carving out a niche in the

world of Eurobanking. Rather than taking on larger and more powerful banks in the scram-ble to gain footholds in every aspect of the rapidly changing finan-cial markets, banks from Denmark. Finland, Norway and Sweden have tailored their corporate policies to meet a specialized customer de-

The strategies vary from bank to bank. In Luxembourg, they continue to go it alone, becoming increas-ingly well-equipped to reap the re-wards from whatever custom-made business they have built up.

The factors behind the policy

shift toward banking specialization are two-fold and go a long way toward explaining why the Nordic banks steadily have built up their presence in the grand duchy over the past decade.

Firstly, most Nordic countries during the 1970s prohibited domestic banks from extending foreigncurrency loans to domestic corporations. With the growth of the Nordic region as an economic entity, fueled by oil riches in Norway's case and by Sweden's rapidly issues denomerging multinationals, banks felt bourg francs. units to book such loans.

With the onset of bank deregula-tion and financial-market liberal-the plethora of funding instru-With the onset of bank deregulaization, which swept all the Nordic countries during the first half of the 1980s, the rules have mainly been removed, compelling the Luxembourg subsidiaries to look for other

came to Luxembourg no longer exist and there was a need to find new business," said Gunnar Olsson, now that our network is built up, managing director of Skandina-viska Enskilda Banken (Luxem-international basis," Mr. Olsson bourg), the Luxembourg subsidiary said. of the Swedish parent.

mercial financing could come out of Sweden, Skandinaviska pursued office, taking onto its books in the grand duchy in particular. straightforward trade and corpo-

Luxembourg operations. It fine-tuned its customer base to the Benelux area, which ranks fifth

to sixth in terms of Swedish exports, concentrating its resources on servicing the financial needs of the 150 Swedish subsidiaries in the Netherlands and the 100 in Bel-

We can offer them mediumterm credit lines, guarantees and short-term business on very competitive terms," Mr. Olsson noted. In addition to this vital facet of the financial needs of private cli-

Skandinaviska's operations, it has ents, including large mimbers of also come to gear its resources to Changes in Euromarket patterns, the move into new investment instruments and the progress made by the Luxembourg center at large to shift its emphasis on wholesale

banking more toward private-customer

business, have helped Nordic banks force

the pace of their restructuring. participating in a number of private placements and public bond The Luxembourg unit, together with the European Currency Unit,

ments that make up the Euromarfolio, such as foreign-exchange "The initial reasons why we trading and arbitrage. "Our policy

The second factor behind the As long as no short-term comspecialization among Nordic banks of Sweden, Skandinaviska pursued in Luxembourg lies in the changing its operations as a normal booking contours of banking in general, and

Changes in Euromarket pat-terns, the move into new invest-As the regulatory climate ment instruments and the progress changed in Sweden, and as Swedish made by the Luxembourg center at corporations, after two years of excellent profits, became highly liq-sale banking more toward private-uid and no longer felt the need to customer business, have helped

the Luxembourg capital market. Danish nonresidents living off their invested income.

With deposits of amounts as low issues denominated in Luxem- as \$4,000, assets placed with Privatbanken in Luxembourg, for example, are free from income tax, with-holding tax, inheritance and wealth duties, capital-gains tax and other taxation.

The first Danish bank to start operations in Luxembourg, in 1976, Privatbanken also offers time deposits in most of the major currencies, investment in securitie and precious metals as well as fidu ciary transactions.

Danish banks' Luxembourg

units are also finding the growing interest in mutual investment funds a lucrative source of income in the private banking field.

Provinsbanken International (Luxembourg), the wholly owned subsidiary of one of Denmark's largest banks, Den Danske Pro-vinsbank, acts as custodian bank to the North Star investment fund

The Norwegian banks in Luxenbourg have also found it profitable to branch out into private areas. although servicing corporate needs still remains an important part of their operations.

Christiania Bank of Norway was



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PERSONAL BANKING

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A SPECIAL REPORT ON LUXEMBOURG

By Amiel Kornel LUXEMBOURG — Eager to expand its broadcasting activities. Luxembourg's media giant, the Compagnie Luxembourge's deal giant of the Compagnie Luxembourge's media giant, the Compagnie Lux

views with top officials. The CLT's readiness to join forces with the struggling French pay-TV station underscores Luxembourg's wish to be a dominant force in European television broadcasting. Canal Plus's emitters will cover 90 percent of France by the end of the year, more than any of the three national television networks.

"We at the CLT believe we could be an operator of Camal Plus, a partner in the future," said Grist Graas, the managing director of the Compagnie Luxembourgeoise de Télédiffusion, "Il could be a solution for Camal Plus" tion for us and for Canal Plus."

Canal Plus, launched by Havas Conseil last year, has had difficulty attracting subscribers. It is France's first privately owned television station.

Mr. Grans stressed that the proposal was "only a hypothesis" and that the Luxembourg company had not yet entered into negotiations with Canal Plus on the subject.

The development is the latest episode in Luxembourg's struggle to expand its television activities, Luxembourg wants to be a "Euro-pean pole" of broadcasting, said Raymond Kirsch, director of the Treasury and president of the Société Nationale de Crédit et Inves-

Concerned by the economy's reliance on international banking, officials are seeking to buttress the country's position as a communications center. "The banks could leave tomorrow," commented Lucien Thill, editor of the D'Letzeburger Land, a weekly newspaper. "So we have to find another market, and that market is the new

The Luxembourg economy needs "a second leg" to stand on, he said. The country's overreliance on the steel industry in the 1970s taught it about the need for eco-

nomic diversification, he said. The Compagnie Luxembour-geoise de Télédiffusion, most commonly known by its trade name, Radio-Tele-Luxembourg, or RTL, has earned considerable revenue for Luxembourg over the past 20 years. In 1984, the company earned 1.01 billion Luxembourg francs in profits and paid 1.78 billion Luxembourg francs directly to the state is the form of taxes and licensing sees. This figure, 24 percent of the government's revenues, makes the CLT Luxembourg's No. 1 taxpay-

ing to company figures.

In late August, RTL Plus, operating in a joint venture with the German publishing group Bertelsmann, will begin transmitting via the European communications satellite to German households.

But to succeed in European tele-vision the CLT must rapidly extend

Concerned by the economy's reliance on international banking, officials are seeking to buttress the country's

position as a communications center.

its coverage further, officials said. "Television is the future," said Mr. Graas. He said that potential revenue from television is much greater than that offered by radin.

For political and economic reasons, France is the biggest and most important partner that the CLT must woo. French companies control a majority of CLT shares. The company's biggest shareholder is Havas Conseil, which is 51-percent owned by the French government. Matra, Schlumberger, and the Banque de Paris et Pays Bas, all French, also have important shares

What is more, the French market could represent 1.5 billion francs of potential revenue, according to CLT officials. Due to a penury of audiovisual media in the past, French television advertising accounts for only 17.5 percent of advertising spending, compared to 30 percent in Britain and 42 percent in Italy, Money-making opportunities will abound as French projects to expand the country's communica-

and satellites develop. The proposal of a rapprochement with Canal Plus was mouvan-ed largely by a recently released report on the French audiovisual industry. The so-called Bredin re-industry. The so-called Bredin re-dicté Européene des Satellites, SES, was formed March 1 to explore the ment with Canal Plus was motivatgovernment, proposes the creation project's possibilities. of two national private television ficials fear that, faced with compet-

cept a partnership with CLT. Canal Plus is losing money. The Havas link in both companies assures continued French control of the station, while putting it into the hands of Europe's most successful broad-

Yet complications remain. CLT does not want to get involved with a pay-TV station. Any agreement would have to transform Canal Plus into a direct competitor of the national state-owned television sta-

Officials also are wary of an arrangement that might leave most advertising revenue on the French side of the border.

"If the CLT becomes involved with Canal Plus," Mr. Kirsch said, "it must be careful not to block the future. There are schemes whereby revenue could be kept in France."

Negotiations with the French
government, cut off in November, are expected to resume "very soon," Mr. Graas said.

The Canal Plus proposal is only the latest episode in Luxembourg's struggle to expand its television ac-

In 1981, the government of Pierre Werner shocked France and the CLT with the announcement of the GDL satellite project. The grand duchy began examining the that would broadcast television directly to European homes equipped with receiving dishes. A concession to develop the project was granted to Coronet, a company run by an American, Clay Whitehead, which included U.S. companies as minor-

Fears of a "Yankee menace" rocked French officialdom, and the project was quickly dubbed the "Coca-Cola satellite." Political resistance took its toll and Coroner was closed down in February, ostensibly due to a lack of investors.

Luxembourg eventually was constrained to sign an agreement to lease two transponders on France's TDF1 satellite, scheduled for launch in July 1986. The agreement was viewed as crucial to the survivtions infrastructure through cable al of the French satellite, which had come under attack due to its high

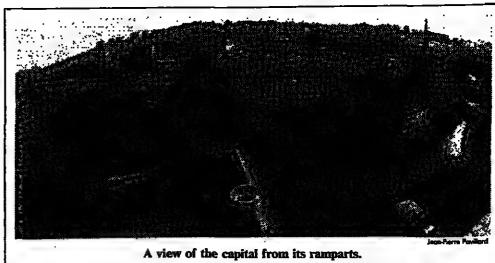
Some observers doubt that Luxstations in France. Luxembourg of- embourg ever plans to follow through on the project. "I don't Earnings grew by 11.9 percent in itors for advertising revenue in believe in a Luxembourg separate

The GDL project, countered Corneille Bruck, president of the

from the beginning as a reality and it remains a reality."

"I can assure you formally," said Mr. Kirsch, who was the govern-ment liaison for Coronet, the earlier GDL version. "that it was not the conception of the government to use the satellite as a bargain tool in negotiations with the

Nevertheless, Mr. Bruck ac-knowledged that "as long as you have a Luxembourg project you are in a position of force. . . Otherwise Caisse d'Epargne de l'Etat and the others dictate the terms."



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Street map shows the capital and surrounding areas

Highlights from the Balance Sheet as of December 31, 1984

Assets	(in DM million)	Liabilities	(in DM million)
Cash	758.3	Due to banks	26,466.4
Bills	306.6	Other creditors	10,437.9
Due from banks	29,115.1	Outstanding debentures	42,247.4
Treasury bills and other securities	3,671.4	Loans on a trust basis at third-party risk	11,441.3
Due from customers	47,842.4	Provisions	660.1
Loans on a trust basis at third-party-risk	11,441.3	Nominal capital	850.0
Participations	517.5	Published reserves	1,626.0
Land and buildings	546.8	Profit	59.5
Other assets	2,143.5	Other liabilities	2,869.4
Assets of Landesbausparkasse (Building and Loan Association)	8,482.0	Liabilities of Landesbausparkasse (Building and Loan Association)	8,166.9
Total	104,824.9	Total	104,824.9

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Statistics on Bank Earnings Reflect Slight Profit

authorities published statistics on global bank profits. The figures revealed what observers of the grand duchy have long suspected: if you confine your attention to the bot- has declined, and in 1983 amounttom line and the taxes paid on ed to 8.2 billion francs — a level profit, banking in Luxembourg barely pays.

Luxembourg banks earned gross period. margins of just under 1 percent in 1984, according to a report published by the Institut Monetaire Luxembourgeois. The report was based on 1984 data and on results for 92 percent of all Luxembourg
In fact, the low net profits of for 92 percent of all Luxembourghased banks.

sions but before taxes — in 1983, ation costs. Rather, they reflect the sions covering international credit the last year for which data were banks' right under Luxembourg risks.

and in 1983 amounted to half of the relative level of 1979 and one-third that banks have been paying also

For their parent banks and the tax collector, it would seem, the banking business in Luxembourg

LUXEMBOURG — Last win- available. And, the before-taxes law to put away large sums of monter, for the first time, Luxembourg profitability of banks is sinking, ey for loan-loss provisions, thereby bank does pay some taxes in Luxthat of 1977. The corporate taxes nice yield and are only taxable -

Using provisions, banks cut taxunchanged for three years despite able profits. The rate of net new the volume increase in the same provisions in 1983 was 52.6 billion, while net profits came to only 7.9 billion — all perfectly legal in the grand duchy. Among German banks, like Cie. Financière Luxembourg de la Deutsche Bank or Cie. Luxembourgeoise de Dresduer Bank, it has become something of a banking in Luxembourg do not tradition to show no net profits at Net profits were 0.26 percent of have anything to do with poor all by the simple device of putting

their total footings - after provi- banking margins or high intermedi- all available profits into the provi-

cutting both profits and taxes. embourg, said that some of his These sums can be invested for a countrymen were overdoing things: "They say, as long as we are without penalty — when the loans they cover finally are repaid.

allowed to do so, why not make 100 percent provisions for Third World loans, or whatever we make let us

put into reserves." At least one non-German banker admitted that his institution had provisioned nearly two-thirds of its risky loans and will have to face a tax bite eventually. Once loans are totally covered by provisions, banks cannot add to the sums they have put away. For at least one bank, the 100-percent-covered level will be reached in two

Of course, Luxembourg does get something out of all those banks operating on its hilltop, even if they do not pay corporate taxes. Personal income tax levels are high, and the indirect payback of bank busi-ness — ranging from employment to notoriety, from the balance of payments inflow to an increase in Luxembourg's clout in European Community politics — may make it all worthwhile. The publication of the institute's data on profits and taxes of banks has not resulted in popular clamor for a crackdown on

banking tax evasions.

The tax break given banks in Luxembourg is not the only way he country's authorities make it attractive to investors. There is no withholding at source for interest on bonds issued, and no stamp duty on bonds or certificates of deposit. Mutual funds, which distribute or reinvest their earnings, can avoid having them taxed. Foreigners are not subject to grand duchy inheritance taxes. Gold trading is free of the value-added taxes applying in most of the rest of Europe. Establishing a holding company, a company or bank costs a have brought the grand duchy into num of 1 percent of the capi-

available tax breaks, banks are seeking even better treatment from the authorities. Another aspect is the high level — nearly 60 percent - of personal taxes in Luxembourg, and the 0.5-percent tax -- a wealth tax — on the net worth of residents. Bankers also want taxes on dividends they receive from shareholdings to be eased. Currently, taxes are payable on dividends from companies not controlled at the 23-percent level; the bankers and the Cayman Islands. want the dividends to be tax exempt even on shareholdings of 10 to 25 percent. And a major battle is have come have been promoted brewing over attempts by Luxembourg tax officials to take a bite from allowances for housing, education, moving expenses, or trans-

One German banker, whose portation paid to foreigners sent to Luxembourg by their banks or

However, as even greedy tax au-

thorities, in countries like the United States, Germany and France. are allowing bonds to be sold to non-residents with no withholding taxes payable on future interest payments - benefits similar to those offered by Luxembourg, tax officials in the grand duchy are looking at new breaks for banks. particularly when they reach 100 percent provision levels. Some concessions may be made in how banks provision for other risks: inflation, foreign exchange, fall in market value of securities.

What the Luxembourg authorities keep in mind is that although corporate tax receipts are only a small part of what this country gets out of being a banking center, oper-ating costs and taxes together, nonetheless, cover 135 percent of the Luxembourg balance of payments deficit, Nearly 6 percent of all employed persons in the country work for a bank, Banks account for 14 percent of the country's gross national product. So why squabble about a few centimes in taxes?

— VIVIAN LEWIS

New Laws Put Insurers In Line With EC

By Chris Morrison

LONDON - Recent revisions to the Luxembourg insurance laws line with European Community real.

In addition to these already the prospect of adding international risk operations to its consider-

able financial services industry. The law differentiates for the first time between the purely domestic insurance market and the world of offshore commercial insurance business.

But to date, despite numerous international inquiries, there is little sign that Luxembourg will turn into a major offshore insurance center to rival those of Bermuda

Few companies have set up shop in Luxembourg, and those that mainly by the large Swedish insurance group, Skandia. Proponents, however, suggest that developments are yet to come.

On the domestic front, the new law, which was introduced in March last year, tidied up the country's commitments to a number of EC directives and permitted for the first time the operation of independent insurance brokers. Although the brokers' scope for action is severely restricted, their existence adds a new dimension to the local market. The local market previousby an army of agents to individual

The country has about 40 autho- of Europe - for the international rized insurers. In 1983, they produced about 5.5 billion Luxembourg francs in premiums. But although the local market is small, and interpretation of the structure of the struc it is not without its attractions, a national insurance companies. point demonstrated by the pur- Over the last decade, multinationchase earlier this year of a one-third als have sought to maximize re-stake in the leading Luxembourg turns by retaining many of their insurer, Le Foyer, by the giant own risks rather than purchasing

U.K. insurance company, Guard- expensive insurance cover from outside insurance companies. To The Luxembourg bid to attract do this they have formed their own "captive" insurance companies and

international insurance business. meanwhile, comes at a time when it located them in areas with congehas suffered a major decline in its nial tax requirements. traditional steel industries and a These offshore locations also tailing off in the banking sector. It have become a center for reinsurhas sought, therefore, to lay down a since, a form of insurance that welcome mat - right in the heart arises as insurance operations lay off part of their exposures with other insurers to balance their portfolios and limit heavy concentra-

tions of risk. This creates a pool of business attractive to specialist reinsurance companies and captives alike. The latter also have looked outside business in recent years because of a number of tax requirements par-

> whose parent company is located in the United States. The enactment of the new insurance rules in Luxembourg and the formation of a new insurance commissioner's office determined the details of minimum capital requirements for reinsurance and captive companies and set guidelines for such matters as the ethical and pro-

fessional qualities of their manag-These operations are required to obtain a license from the Ministry of Finance, which they receive only upon adopting the form of a "socie-

However, this capital requirement can be as little as 6 million Luxembourg francs for a captive insurance company that limits its business to parent-company risks.

Further rules govern the reserves their liabilities - higher again (or third-party reinsurers, lower for purely captive business.

The real attraction, however, for reinsurers is likely to be the offer of a 10-year tax holiday for a company's operation, provided no divi dend remittances are made. Despite some initial uncertainty it would appear that this holiday, which can be used to build up a company's capital base, will apply ticularly affecting operations to all the reinsurers operations, in cluding underwriting and invest-

Further initial doubts about the management of such operations also appear to have been resolved. At first it was thought that each operation would be required to employ its own manager, who would have to prove his honesty and competence in the business of reinsurance. Such a requirement would have proved expensive since many captives in other locations are operated by specialist management companies offering their services to a number of different parties. Such te anonyme," or limited company, and providing a fully paid-up capital of 50 million Luxembourg to operate and at least two are said to be active.

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ian Royal Exchange.

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VestLE

International S.A.

Condensed **Balance Sheet** as per December 31, 1984

WestLB International S.A. 32-34, boulevard Grande-Duchesse Charlotte P.O. Box 420 L-2014 Luxembourg Telephone: 447411

Subsidiary of Westdeutsche Landesbank Girozentrale. Düsseldorf/Münster

in millions of DM previous year Amounts due from banks 3,638.8 3,581.5 Loans and advances to customers 6,464.2 6,611.1 Securities 464.9 391.7 Other assets 418.7 337.9 10,986.6 10,922.2

LIABILITIES in millions of DM previous year Amounts due to banks 9,228,2 9,436.1 Current deposits and other accounts 723.3 563.6 Other liabilities 277.6 275.6 Share capital 125.5 125.5 Reserves 214.3 199.0 **Provisions** 405.1 309.7 Profit 12.7 10,986.6 10,922.2

The unabridged annual statement as well as the profit and loss accounts will be published in the "MEMORIAL, Amtsblatt des Grossherzogtums Luxemburg, Ausgabe C" (Official Gazet of the Grand Duchy of Luxembourg, edition C)

A modern bridge, above, contrasts with traditional architecture in the grand duchy's capital. At left, portal with coat

Lack of Rate Cast

(Carelle 14) Mary Comment

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EQUITY-(AND

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FDIC Is Named

As the Receiver

For N.Y. Bank

NEW YORK — Anxious de-positors gathered on the week-end outside the Golden Pacific National Bank in New York's

Chinatown district, after the

Federal Deposit Insurance Corp. announced the bank had been closed Friday.

FDIC officials spent Saturday in the bank's offices, where a notice posted by the Controller of the Currency's Office said the FDIC had been appointed the Saturday of the Control of the Currency's Office said the FDIC had been appointed the Saturday of t

as receiver. A spokesman for the bank, with deposits totaling

\$150 million, was not available

An FDIC spokesman said deposits of up to \$100,000 were

insured by the federal govern-ment, but it was not known how

many of the bank's deposits

were for amounts greater than

The bank's closure was an-

nounced late Friday by the

ment is relatively rare, accord-

ing to industry observers. Bank closure announcements usually are made just after 4 P.M. on Fridays, shortly after the closing of financial markets.

for comment.



New Eurobond Issues

		** 1				10 105005
Issuer	Amount (millions)	Mat.	Coup.	Price	Price end week	: Terms
FLOATING RATE NO	TES					
Allied Irish Bonks	\$100	perpt	15	100	97. 7 5	Over 3-manth Libor, maximum 13% for first 12 years Callable at par in 1997. Fees, 1%.
Bank fur Gemeinwirtschaft	\$100	1992	*	160	99.56	Over 6-morah Libed, meximum 13%, Noncollable, Fee: 0.55%.
Belgium	\$400	2005	libid	100	99.60	Semiconnucl interest will be the higher of 6-month Libid or of the overage of 1-month Libor rates. Collable of par in 1997. Fees 0.0427%. Denominations \$250,000.
BNP	\$250	1997	*	100	99.94	
Citicorp Banking	\$250	1997	3/16	100	99.50	Over Libid; Borrower to decide whether interest will begover 1-, 3- or 6-month rate. First coupon to be over 6-month rate. Callable of pay at 1990. Fees 0.40%, Denominations \$10,000.
Crediop	\$150	1993	limean	100	99.62	Semionruck interest will be the higher of 6-month Limean, semonthly, or of the average of 1-month Libor rates. Calloble at par on any interest payment date. Fees 0.45%.
Crédit Lyonnois	\$250	1997	У.	100	99.75	Over 3-month Libor, maximum 1296%. Noncollable. Fee: 0.375%.
Konsallis Osake Pankki	\$100	1997	36	100	99.60	Over 3-month Libid, maximum 13%, Noncollable. Fee: 0.50%, Denominations \$10,000.
Mitsui Bank	\$150	1997	1/4	100	99.90	Over 3-month Librd, modernum 174%, Fees 0.375%.
Republic of New York Corp.	\$100	2010	1/2	100	99.35	Over 3-month Libor, Callable at par in 1990. Fees 0.65%.
Swedbonk	\$75	1997	*	100	· —	Over 3-month Librd, maximum 13%, Noncollable, Fees 0.50%.
Westpac Banking	\$150	1997	1/4	100	99.90	Over 6-month Libor, maximum 13%. Noncollable. Fee: 0.40%.
Cooperative Bank	£75	2000	%	100	99.60	Over 3-month Libor, Collable of par in 1990, Fees 0.50%.
Korea Development Bank	ECU 50	1992	1/4	100	_	Over 6-month Libor. Collable at par m 1988 and redeemable at par in 1990, Fees 1,125%.
FIXED-COUPON					•	
EdF	\$225	1995	10	991/1	94.75	Collable at 101 in 1992, Increased from \$125 million.
Eurofima	\$100	1995	10	100	96.38	Callable at 100% in 1992.
Florida Federal Savings & Loans	\$160	1995	zero	36.15	34.05	Yield 10,71%. Proceeds \$57 million, Backed by costs and securities.
John Labatt	\$100	1995	101/2	991/2	96.13	Nancollobie.
Laaneinstituttet for Skipsbyggeriene	\$ 50	1990	9%	100	98.00	Noncolicbie,
LTCB	\$150	1995	10%	100%	98.88	Noncollable, Denominations \$10,000,
Procter & Gamble	\$150	1995	10	100	96,13	Collable of 101 in 1992.
IADB	DM 250	1995	714	100	98.50	Noncollable,
Posts & Telecommunications of South Africa	DM 100	1990	7%	994	98.00	Noncoliable.
Posts & Telecommunications of South Africa	DM 100	1993	8	100	98.00	Nonçailable,
All Nippon Airways	ECU 130	1995	9	100%	97.88	Noncoliable,
Bank Mees & Hope	ECU 50	1992	9	100%	99.38	Noncolioble,
C. Itoh	EQU 60	1992	8%	100	98.00	Noncolloble,
Fiat Finance & Trade	BCU 55.5	1990	8%	100	98.00	Noncollable, Serial redemption starting in 1989 to produce a $4 \rm yr$ overage life.
Motorola	ECU 50	1992	8%	99%	97.38	Noncolloble.
Union Bank of Finland	ECU 15	1992	914	open	98,50	Noncolloble, Price to be set June 28.
Hamilton Wentworth	C\$ 25	1995	10%	99%	97.25	Noncollable.
Werekhove	DF 75	1990	7%	100	_	Noncollable private placement.
Commonwealth Bank of Australia	Aus\$ 100	1990	12%	100%	98.63	Noncolloble.
Erste Oesterreichische Spar-Casse Bank	Aux\$ 40	1990	13%	100%	99.25	Noncoliable, .
PDG Bonk	NZ\$ 50	1990	161/2	100%	-	Noncollable,
Sweden	FF 500	2000	11	100	98.50	Collable and redeemable at par in 1990 and 1995 when new terms will be set.
Norsk Hydro	DK 250	1992	11%	100	_	Collabia at 101 in 1990.
EQUITY-LINKED	-					
Kyotaru	\$ 30	1995	орел	100	98.13	Semionausi coupon indicated at 3/4%. Callable at 102% in 1988. Convertible at an expected 5% premium. Terms to be set June 26.
Sandaz Holdings Nederland	\$100	1997	open	100	98.50	Coupon indicated at 4%/49%. Collable at 103% in 1990. Convertible into participation cartificates at an expected 10% premium.
Tokyu Department Stores	\$ 50	1990	7%	100	100.00	Noncollable, Each \$5,000 note with one warrant exercisable into shares at an expected 25% premium. Terms to be set June 27.
Viacom Int'l	\$ 50	2000	open	100	96.88	Coupon indicated at 7/71/1%. Convenible at an expected 15- 18% prentiess. Terms to be set June 25.
Pobelfima	ECU 20	1995	7	100	99.50	Noncollable, Each 1,000-ecu note with six 5-yr warrons exercisable into shares of Popeteries de Belgique at a 8.69% premium.

Lack of Rate Cut Unsettles Market

thing as 4-point over Libor.
The advantage to the borrower

in the event of a crisis in the interbank market - which in the past

rates beginning to rise again, bankers were warning that the demand for capped paper was not keeping pace with the ever increasing sup-

There were also complaints that too much French bank paper was coming to the market. Indo-Suez and Banque Française du Commerce Exterieure were the first to tap the market and last week were Paris and Credit Lyonnais. Credit Lyonnais antagonized the

French bank attempted to compensate holders of its 12-year paper by vetting its interest at 4-point over Libor while Mitsui set 1/2-point margin over Libid on its 1/2-year issue. Despite the slightly better conditions on the Credit Lyonnais paper, the Mitsui issue traded bet-ter — down 10 basis points from the offering price, compared with down 25 basis points for Crédit

The worst received was Allied Irish Bank's \$100 million of capped, perpetual bonds. The mixing of these two special elements was not fortuitous. In addition, both Allied Irish and Republic of New York (which offered \$100 milion of classic 25-year FRNs priced at %-point over Libor) suffered from having had previous FRNs trade poorly, leaving investors with

(Continued from Page 7)

Allied Irish set its coupon at ½includes a maximum coupon of 13
percent with the rate of interest set
the cap of 13 percent to run for the
the parent company, at a price of at 4-point over Libid. Normally, first 12 years. Commissions paid to there is a 1/2-point difference be- underwriters totaled I percent and tween the bid-offered rate, which the notes ended the week at 97% means that % over Libid is the same a stiff 14-point loss for banks participating in the deal.

Citicorp also failed to find favor by basing the rate on Libid is that with its innovation of retaining the option to set the interest period at whichever rate is more favorable to has resulted in a substantial widen- itself. It will pay interest of 3/16ing between bid-offered quotes -- point over the one-, three-, or sixthere could be a substantial saving month Libid for its \$250 million. over having set Libor as the base. The first coupon period will be set In all, \$1.175 billion worth of over the six-month rate, which cursupped FRNs were issued last rently is the highest of the three week. And with short-term interest options. But holders are offered no security that Citicorp will always choose the highest rate during the 12-year life of this issue. The notes traded at 991/2, a slight loss for underwriters who bought the paper at

Belgium tapped the market for \$400 million using the currently unpopular mis-match formula. In-terest on the 20-year notes will be set at one-month Libor or sixfollowed by Banque Nationale de month Libid, whichever is higher. This protects banks against an inversion of the yield curve and en-ables them to finance their holdmarket by setting a cap of 12% ables them to finance their hold-percent, as did Mitsui Bank. The ings by borrowing one-month money at 711/16 percent and earning the six-month Libid rate of 8

The ECU market suffered last week as coupon levels on most new issues — ranging from 8% to 9 percent — trail the 94-to-9%-percent borrowing costs banks need to pay to finance their underwritings. As a result, these issues were trading at discounts of around 2 per-

Breaking this trend was Union Bank of Finland, which set a coupon of 914 percent on its seven-year issue of 15 million ECU. The offering price will be set June 28, but the notes were trading at a discount of

The Belgian paper company Pa-belfima offered the first equity-linked ECU issue. It is selling 20 million ECU of 10-year bonds bearing a coopon of 7 percent.

2,500 Belgian francs. The shares currently are trading at 2,300 francs. The warrants can be exercised between next January and Dec. 31, 1990.

The New Zealand dollar market was also hard hit by high finance charges forcing underwriters who could not find buyers to dump their holdings. Bankers reported that underwriters without access to retail clients were dumping paper at dis-counts of up to 4 points. This was being taken up by retail-oriented banks who were offering paper to their clients at only modest dis-

The latest to tan this market is DG Bank, which is offering 50 million dollars of five-year, 16½-percent notes at a price of 10014. These high coupons appeal to investors in the Benelux countries and Switzerland, but banks who face financing charges of more than 20 percent or run an exchange risk by financing in U.S. dollars are not eager to warehouse paper that is not quickly

Shell Will Buy 400 Arco Stations

LOS ANGELES — Atlantic Richfield Co. has agreed to sell about 400 gasoline stations in east ern states to Shell Oil Co., which will make Shell the biggest U.S. retailer. The price was not given. Analysis said the sale would sig nificantly strengthen Shell's posi-

the second biggest gasoline retailer with 10.5 percent of the market behind Amoco with 19.9 percent. Arco previously announced plans to sell assets east of the Mississippi and concentrate on West Coast retailing. The 400 stations are in Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, Rhode Is-

tion on the East Coast, where it is

Coke Taps **Market** for \$365-Million **Note Facility**

By Carl Gewirtz PARIS - With banks rushing to securities it was inevitable that corporations would ultimately do the same. The first company to use the

It has created a special-purpose company, EBS Financial Corp., which is arranging a \$365-million note issuance facility. The money

SYNDICATED LOANS

raised by EBS will be paid to Coke in exchange for receivables it is owed from theater distributors via its subsidiary Columbia Pictures

anteeing EBS but is providing as-surance that the receivables will be paid. These payments will provide EBS the income to service the note

facility.

For Coke, the operation means a lightening, albeit only by a pittance, of its balance sheet and an

increase in its working capital.

Annual payment of the receipts means that the amount of the fouryear facility outstanding each year will be reduced, producing an aver-age life of only 1% years.

Underwriters of the facility will earn an annual fee of 1/16 percent, or 6.25 basis points. Banks will be invited to bid for the notes but the underwriters also stand ready to accept the notes at a maximum charge of 16-point over the London interbank offered rate. If underwriters wind up taking more than half of the total, they will earn an additional 4-point

Assuming the worst case, in which underwriters take all the paper, Coke would pay 25 basis points on the interest, plus an an-nual 6.25 basis points, plus a front-end fee of 9 basis points — or 2.25 a year — for a total cost of 33.5 basis points. The annual facility fee increases to 7.5 basis points as the amount outstanding decreases through amortization.

Crediop, the Italian state-owned medium-term credit agency, is also tapping the market through a spe-cial purpose company, Prism Bond GmbH, set up by Merrill Lynch and the Law Debenture Society. This is a conduit company designed to provide the loan via West Germany so that Crediop can benefit from the Italian-German tax treaty to escape payment of the Italian withholding tax on interest payments.
This is similar to the operation

regional development agency. refined product is exported. While Prism will be the actual issuer of \$150 million of eight-year floating-rate notes, Prism's sole asit is a Crediop risk that purchasers of the FRN will be buying.

Interest on the FRN is based on

the mismatch formula with Crediop paying the average of the six-month London interbank bid-offered rate or one-month Libor, whichever is higher.
Canada Permanent Mortgage

Corp. is arranging a \$75-million transferable loan facility - a syndicated credit that lenders can sell to other institutions. Interest on the six-year facility will be set at 30 basis points over six-month Libor. Front-end fees total 10 basis points and a commitment fee of %-percent will be charged on any undrawn amount

Syndication of the \$1.5-billion note facility for Sweden has been completed with subscriptions of \$1.8 billion. No decision has been made on whether to increase the amount.

Elsewhere, two Spanish borrowers are renegotiating outstanding credits to take advantage of the reduced charges now available. ICO, the state credit agency, is renegotiating a \$200-million, 10-year

credit arranged in 1981 on which it was paying ½-point over Libor. The new 10-year loan of \$180 million will be split with half priced at 4-point over Libor for the first two years and %-point over for the remainder. Pricing on the other half will be set for the first two years at 37.5 basis points over the 90-day reserve adjusted rate for certificates of deposit and 50 basis

points over for the final eight years. Iberthuero, Spain's largest pri-vate electric utility, is renegotiating a five-year, \$90-million loan signed in 1983 on which it was paying % point over the prime rate or 155 basis points over the adjusted CD rate, whichever was lower. Its new 10-year, \$90-million loan will be oriced either at %-point over Libor or at the lower of 15 basis points over the prime rate, or 110 basis points over the CD rate.

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Prices of Bonds Decrease Sharply As Discount Cut Appears Less Likely

By Phillip H. Wiggins

New York Times Service

NEW YORK — Frustrated ex-

pectations of a cut in the Federal Reserve's discount rate have pushed down bond prices sharply. Early on Friday, the credit mar-kets continued to react negatively to the unexpectedly sharp jump of \$4.8 billion in the basic U.S. money supply, M-1, reported late Thurs-day. But the selling waned after lunch, when sporadic bargain-Euromarket in this way is Coca-

hunting appeared.

M-1 includes currency in circulation, travelers checks and checking

Bond prices last rose on Tuesday, after several major banks low-ered their prime lending rates to 9.5 percent from 10 percent. On Wednesday bond prices moved lower and that trend picked up Thursday, because of the government's estimate of stronger growth in the current quarter and then the

ing of overly optimistic expectations. "Especially disappointing to
a market that expected weak economic growth and further Fed easincomic growth and further Fed easi ing were stronger economic figures

U.S. CREDIT MARKETS and the failure of the Fed to cut the

discount rate another half a per-centage point, to 7 percent," he added. Dennis J. McDonnell, senior vice president of Van Kampen

said the bond market could still move lower in the long term. He cited a variety of factors, in-

cluding "pressure on commodities, a slowdown in the growth of pri-vate credit demand, and the effects of the continued strength of the dollar on prices and output."

On Friday, short-term Treasur money-supply report.

Gary Ciminero, chief economist dence, Rhode Island, said the percent, up from 6.79 percent,

week's gyrations reflected a sober- while the six-month issue finished

In the intermediate sector, prices of Treasury notes slipped, with the new 8.5-percent, two-year issue falling 8/32, to 99/14/32.

At the longer end of the government debt market, the price of the Treasury's key 30-year, 114-percent bond was off as much as half a percentage point Friday, before late buying cut the loss in half. At the close the yield was 10.58 percent up from 10.48 percent on vice president of Van Kampen cent, up from 10.48 percent on Merritt, an investment banking Thursday, when the bond dropped firm based in Naperville, Illinois, as much as 1% points.

U.S. Consumer Rates

For Week Ended June 21
Passbook Savings 5.50 %
Tax Exempt Bands Bond Buyer 28-Bond Index
Masery Market Funds Donoghue's 7-Day Average 7.52 %
Bank Money Market Accounts Bank Rate Monitor Index 7.08 %
FHLB gueroge 13.70 %

U.S. Indicts 14 in Sugar-Import Fraud

By Mary Thornton

Washington Past Service
WASHINGTON — A federal grand jury has indicted 14 persons and 13 businesses in the first phase of a U.S. Customs Service investi-

gation of the sugar industry. Customs officials said the invesrigation could eventually lead to \$1 billion in lines and restitution payments. They said the investigation has found widespread evidence that sugar dealers have evaded sug-ar-import quotas and simultapeously defrauded the government of import duties.

The investigation comes at an inopportune time for the U.S. sugar industry. Congress is considering this year whether to continue sugar price supports established in 1982. Proponents argue that the supports protect U.S. producers and con-sumers from wide price fluctuations; opponents say the supports produce higher costs to consumers.

Customs officials said Friday that as much as 500 million pounds (225 million kilograms) of sugar a year has been illegally entering the U.S. market. Lost import duties over several years were estimated at

A 1983 change in Agriculture Department rules allows specially licensed importers to bring foreign sugar into the United States for refining, then to export it within 90 days for sale abroad. Importers pay duty of 2.8 cents a pound when the sugar comes into the United States conducted a week earlier by Bank-ers Trust Co. for Isveimer, Italy's refund — of 99 percent when the refund - of 99 percent when the

The dealers indicted Friday al-

the refined sugar had been export-ed, allowing them not only to claim the drawback but to sell the sugar

llegally in the United States. Those named in the indictments tion's "kingpin," Customs officials included sugar brokerage, storage said Mr. Arago is believed to be and transportation companies and vacationing in the Bahamas,

legedly imported the sugar, paid their owners and officials. Customs the proper duties and then filed sources said all but one are expect-fraudulent forms to indicate that ed to enter into a plea-bargaining

The remaining defendant, José Miguel Arago, 38, a Miami sugar dealer, was described as the opera-

Clouds Over U.S. Economy

(Continued from Page 7) crease in the stock of capital assets

owned by business. Some foreign investors helped buying shares in U.S. companies, has had to ignore its targets for or joining limited partnerships to build or buy real estate, for example. In other cases, the foreigners bought U.S. government securities issued by the Treasury to help fi-nance the budget deficit.

Allen Sinai, economist of Shear-son Lehman Brothers, said the long string of huge U.S. budget deficits had stimulated growth and raised pace of exports decreases. A worsening trade deficit and an increased

trade debt result," he said, "So long as the huge federal budget deficits remain, the process is reversed," Mr. Sinai added.

Concerned about the condition

manufacturing and agricultural sectors, the Federal Reserve has been pumping large amounts of money and credit into the econo-

and checking accounts.

Meanwhile, the U.S. government continues to sop up money from the capital markets like a sponge The budget deficit for fiscal 1985 which ends Sept. 30, will be more than \$200 billion, probably about \$206 billion. That means that \$806 billion would have been added to interest rates, strengthening the the national debt in the five years dollar. "Imports increase and the of the Reagan presidency, poshing the total to about \$1.825 trillion at

the end of the year. A portion of the federal deficit is being offset by surpluses of \$50 billion to \$55 billion at the state continues until the trade sector be- and local government level. But comes so weak that economic growth slows, interest rates drop, the dollar declines and the process about 3.8 percent of GNP. about 3.8 percent of GNP.

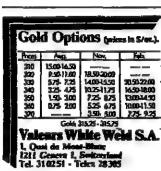
Once the federal government has financed its deficit, about 3.1 perfinancial institutions, the value cent of GNP is left to support all of the dollar and the plight of the net investment.

EXECUTIVE PROTECTION *Corporate Executives Government Officials **BULLET PROOF CARS**

Discreetly annused protection of flow, hottery, fuel tank, gun ports and opnions such as tear gas, smoke screen, oil slick, etc.

As diescred in Proble Magazin





Forbes. The most efficient way of reaching America's most influential executives.

A glance at the graph will tell you what a study by a leading independent researcher, Market Facts, Inc., told us: That Forbes is preferred reading by more corporate officers in 1,000 of America's largest service and industrial companies. In comparison with Fortune and

Magazines read regularly by corporate officers in 1,000 of America's largest companies. Forbes 68.3% 61.8% FORTUNE 48.4% *Market Facts, Inc. 1984 Cost per Thousand Circulation FORTUNE 4C Page \$56.39 **Forbes** 4C Page \$52.79 4C Page \$46.89 BW Page \$36.85 BW Page \$30.85 BW Page \$34.72

For further information, please contact Peter M. Schoff, Director of International Advertising, Forbes Magazine, 50 Pall Mall, London SW1Y 5IQ, England, Tel: (01) 930-0161/2.

Business Week, Forbes was judged to be overall favorite by 44%, versus 29% for Business Week and 19% for Fortune.

When regular readers were asked which of the three reflects best the excitement of business, Forbes had twice the scores of the other two. And when asked which of the three stands for "free enterprise," 71% named Forbes, compared with 13% for Fortune and 7% for Business Week.

These results confirm surveys done over the past fifteen years showing that more officers in big business read Forbes regularly than either Fortune or Business Week. As the graphs so eloquently show, Forbes is

the most cost-effective business magazine for reaching America's most effective executives. If you want to reach this elite, not only is it good business for you to put your advertising in Forbes,

it's bound to be good for your business.

International Bond Prices - Week of June 20 79 WOOD 1827: 7.16 7.41 AN TEAM 1859 528 448 434 AN TEAM 1874 547 548 439 Alrican Develop Bank
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7. 18 Mar. 1779 A.M.
7. 18 Mar. 1872 7.30 7.30
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Compagnie française des pétroles, the parent company of the TOTAL group, is changing its name to TOTAL COMPAGNIE FRANÇAISE DES PETROLES.

A great French and international oil company

TOTAL Compagnie française des pétroles has been producing and selling oil and oil products for 50 years. TOTAL has 45000 men and women working for it on the 5 continents and in 75 countries.

TOTAL is concerned with all sources of energy

TOTAL Compagnie française des pétroles is also a multienergy group concerned with all the major forms of energy. Thanks to its highly skilled teams, it is able to adapt to every type of situation, and to offer solutions for every type of energy problem, wherever it occurs and whether it be in an individual, institutional or national framework.

and is preparing for the future

TOTAL Compagnie française des pétroles is a group with long-term aims, a group that is preparing for the changes of tomorrow. The innovative capacity of its specialist teams, the positions it has established in advanced technology, its willingness to take risks and the precision of its economic decision-making mean that it can command the future.

TOTAL is not dreaming of the future, but building it.

TOTAL COMPAGNIE FRANÇAISE DES PETROLES

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Chileans Meet Competitors Chase Outboard Marine With Bankers On Plan for Refinancing United Press International

NEW YORK — Chilean offi-cials are meeting with a committee representing the country's creditor banks in an attempt to complete a multiyear refinancing agreement that would include \$1 billion in

Chileans and the bankers are under pressure of a June 30 deadline, when a six-month extension expires on principal payments on Chile's \$19-billion foreign debt and rough-ly \$2 billion of credit lines.

Hernan Somerville, Chile's foreign-debt coordinator, and Enrique Tassara, president of the central bank, joined the meeting on Fri-day. The bankers had been meeting throughout last week.

Sources said the principal topic under discussion was the request for \$1 billion in new money and the more than two-thirds of Chile's private-sector debt that is not guaranteed by the accessions. teed by the government. The bankers reportedly are asking for a guarantee from the republic for the private-sector debt and the Chileans are holding out for a

Differences over how to pay pri-vate-sector debt held up Venezuela's negotiations for weeks.

Chile is attempting a refinancing for roughly \$6.5 billion in debt maturing in 1985 through 1987.

The country is to receive soon a \$250-million disbursement from a \$750-million standby credit from the International Monetary Fund.

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(Continued from Page 7) producers, including Suzuki and Honda, are in the market, but have

not proved as aggressive as Ya-Outboard Marine's executives are used to dealing with rough times, although their problems in the past tended to be somewhat different. The difficulties of marine engine sales over the last 15 years have largely been due to the inter-

mittent energy crises that created gasoline shortages, and raised fuel prices and the specter of a ban on reekend boating.

From a peak of 585,000 outboards sold in 1973, sales of the engines fell to a low of 293,000 units in 1982. Sales rose to 411,000 last year, but have been flat so far

> Outboard Marine had expected to achieve sales of \$1 billion this year, but is now aiming lower. That was our intention, but we hit

a lull," Mr. Strang says. In fact, the company's sales for the January-to-March quarter this year dropped about 11 percent, to \$223.8 million, from the period a year ago. Net income for the quar-ter plunged 71 percent, to \$4.3 mil-lion. In the fiscal year 1984, which ended last September, the compa-

ny's earnings rose 34 percent, to-\$52.7 million, on a 17-percent in-crease in sales, to \$921.6 million. Outboard Marine, formed in of Evinrude Motors and Johnson this year, Wall Street analysts are Motors, still produces marine ennot banking on it. They have low-

gines under those trade names. Ma- ered earlier earnings estimates for rine products accounted for nearly the company.

80 percent of Outboard Marine's Lee S. Isgur, with Paine Webber sales and 91 percent of its operating a 1985 decline in ingearnings in its most recent fiscal year. The company also manufactures Lawn-Boy lawn mowers, three Lawn-Boy lawn mowers, is company lawn mowers, and Para light industrial vehicles at the same time praising the fine and Para true care equipment. and Ryan turf care equipment.

motors runs the gamut from 2 horsepower to about 300 horsepower, with list prices from \$650 to

\$13,500. But it has been growth in the stern drive segment that has particularly attracted the company. Industry observers say that many of today's first-time boat buyers are more comfortable with the stern drives, which look and

sound more like automobile engines and less like their outboard cousins. "Some people just want to get aboard and turn the key," says Doug Schryver, executive editor of Boating magazine.
Outboard Marine's stern drives

cost from \$4,700 to \$8,800. The company, based in Waukegan, Illinois, produced about half of the outboard motors sold in the United States last year. But this year, it has been buffeted by a num-ber of market factors, including sluggish first-quarter economic growth. More recently, Outboard Marine has been troubled by over-

stocked retail inventories. Normally, Outboard Marine and other manufacturers sell 60 percent of their output from February to June, as boaters prepare for summer recreation. Now with that period nearing an end, Outboard Maselling from existing inventories.

While Outboard Marine is hop-

ing that strong late-summer buying 1935 by the merger of the remnants will lift the company's performance

job" the company has done in par-

ing costs, particularly to meet im-port competition. Mr. Isgur pre-dicts a rebound in earnings in fiscal 1986 to about \$3.45 a share. But Outboard Marine is mired in

a dispute with the government that industry observers find troubling. For seven years, the company has mental Protection Agency over polychlorinated biphenyl, or PCB, agency charges that the company deposited about 1.1 million pounds (500,000 kilograms) of the now banned chemical into the harbor and surrounding land for 20 years until the mid-1970s. The EPA estimates that a cleanup would cost \$27 million. The company said that the outcome of the dispute was unlikely to materially affect its fi-nancial position.

Outboard Marine challenges the EPA's claim that the chemical deposits are harmful.

U.S. Tool Orders Increase in Month

WASHINGTON - U.S. machine-tool orders rose 21.6 percent in May to \$223.2 million from \$183.5 million in April, the National Machine Tool Builders Association has reported.

In its monthly statistical survey, the U.S. tool-industry trade association said Saturday that May or-ders were down 30.2 percent from orders of \$319.6 million in May last

The association said metal-forming tool orders fell 14.8 percent last month to \$52.3 million from \$61.4 million in April, and fell 60.1 percent from \$131.1 million in May.

Mutual Funds Sentinol 6 Bolon Ca TxQ Bolon Ca TxQ Bond Com 5 Grwth Secuola Sentirva Sentirva Secuola Sentirva Sentirva Secuola Sentirva Secuola Secu Kourimn Kenner ColTx Incom Grow Hi Yid IntiFd Mun B Ooh Summ Tech Tot Ri US Gwt 209 225 Gross: NL 11.00 ML 9.65 10.05 4.87 ML 1.85 10.95 7.42 ML 4.00 ML 17.37 16.45 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 10.37 11.23 ROCY 12.27 (4.59) Spect 29.34 22.22 Toroset 14.53 17.57 Tris Fr 8.07 8.17 Tris Fr 8.07 8.17 Tris 12.97 15.25 Tris Fr 8.07 8.17 Tris 12.97 15.25 Tris Fr 8.07 8.17 Peckager 19.12 NL Pedice Webbert 12.97 NL Pedice Webbert 12.47 Allass 10.26 Toxics 10.26 Hold 10.23 10.26 Hold 10.25 Hold | 1.00 | 1.74 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | | 10.25 | 10.75 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.25 | 10.2 RochTx RowetF Royce F Royce F Royce F Royce F Royce F Royce F Rowet F Stock Toxics Tox 10.15 ML 17.37 NL 11.37 NL 11.37 NL 11.37 NL 11.37 NL 11.37 NL 11.37 NL 11.39 NL 11.

Istituto Finanziario Industriale

Società per Azioni Corporate offices: 25, vig Marenco, Turin, Italy Capital stock Lire 104,000,000,000 fully parti Turin registry of the Companies no. 327, file 2370/27

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NOTICE TO SHAREHOLDERS

The Extraordinary Shareholders Meeting held on June 3rd, 1985 has passed the resolution to manage the capital stock of the company from 104 to 123.5 billion litre in the following manuer:

--- Through a stock dividend of 3,25 million ordinary shares and 3,25 million preferred shares of Lire 1,000 par value to be distributed to the shareholders of the respective class in the ratio of 1 new share for each 16 shares awned, with the dividend beginning to accrue on April 1st, 1985.

--- Through a rights offering of 6.5 million ordinary shares and 6.5 million preferred shares of Lire 1,000 par value to be subscribed to by the shareholders of the respective class in the ratio of 2 new shares for each 16 shares owned (prior to the distribution of the stado-dividend) at a price of Lire 4,000 each, with the dividend beginning to accrue on April 1st, 1985.

In order to implement the resolution of the extraordinary shareholders meeting, the capital increase will be effected as follows: order to implement the resolution of the extraor capital increase will be effected as follows:

STOCK DIVIDEND

17.35 ML 10.43 NL 10.43 NL 10.44 10.86 11.44 12.50 Omnuba: 18.00 NL 4.31 4.86 4.87 4.86 10.23 11.23 18.50 NL 10.25 11.20 11.76 NL

The right to receive the stack dividend will be exercisable from June 24, 1985 to July 26, 1985 (and to August 2, 1985 for residents abroad) at the offices of the company Via Marenco 25, Torino or at any of the banks listed hereunder (after the above mentioned rerms such right will only be exercisable at the offices of the company) upon presentation of the existing share certificate from which coupon No. 5 will be detached.

RIGHTS OFFERING

The right to subscribe to the shares at Lire 4,000 each will be exercisable from June 24, 1985 to July 26, 1985 (and to August 2, 1985 for residents abroad) at the offices of the company in Torino, Via C. Marenco 25, or at any of the banks listed hersunder upon presentation of the existing share conflicate from which coupon No. 6 will be detached and simultaneous payment of Lire 4,000 for each share subscribed. After August 2, the uneventised rights will be offered on the stock-exchange as prescribed by section No. 3 of Article 2441 of the Italian Civil Code.

AUTHORIZED BANKS:

ADTHORIZED BANNOS:
In Italy: Banca Brignone, Banca Commerciale Italiana, Banca Credito Agranio Bresciano, Banca C. Steinhaustiin B. C., Banca d'America e d'Italia, Banca del Monte di Credito di Pavia, Banco Lombarda di Depositi e Conti Correnta, Banca Nazionale del Lavoro. Banca Popolare di Bergamo, Banca Popolare di Bergamo, Banca Popolare di Novara, Banca Popolare di Sondrio, Banca Subsispina, Banca Toscana, Nuovo Banca Ambrasiano, Banca di Napoli, Banco di Roma, Banca di Sondrio Sicilia, Cassa di Risparmio delle Provincie Lombarde, Cassa di Risparmio di Tarino, Credito Commerciale, Credito Italiano, Istituto Bancario Italiano, Istituto Bancario Italiano, Istituto Bancario San Paolo di Torino, Mante dei Poschi di Sena:

in the Federal Republic of Germany: Commerzbank;

In Switzerland: Crédit Susse and Société de Banque Suisse; In France: Lazard Frères & Ge;

In Great Britain: Lazard Brothers and Co. and S.G. Warburg and Co. Ltd.

THE BOARD OF DIRECTORS

KNOEDLER - MODARCO S.A.

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Notice of Ordinary Meeting of Stockholders to be held on July 15, 1985

Notice is hereby given of the Annual Meeting of Stockholders of Knoedler-Modarco S.A. on July 15, 1985 at M. Knoedler and Co. Inc., 10 East 70th Street, New York, New York at 10 a.m. local time for the following agenda:

1. Report on the activities of the company on fiscal year 1984; 2 Auditor's report;

Cmish,
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Horse

- 3. Vote on approval of the accounts and the Auditor's report; 4. Allocation of the net results of fiscal year 1984;
- 5. Discharge of the Board of Directors;
- 6. Election of Directors;
- 8. Miscellaneous
- 7. Appointment of Auditors:

The 1984 annual report is at the disposal of Stockholders as of June 19, 1985, at the Banque Parisbas (Suisse) S.A., Geneva (and its branches in Basle, Lugano and Zurich) where admission cards for the ordinary meeting can be withdrawn against common shares on deposit until July 9, 1985.

> By order of the Board of Directors Dr. Armand Hammer

Chairman

ACROSS 1 David Low's colonel

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Gainesville 18 Actress Schneider 19 Strongly alcoholic 26 Police persuaders 22 African river 23 N.C. college 24 Hide treater 26 Full of lumps

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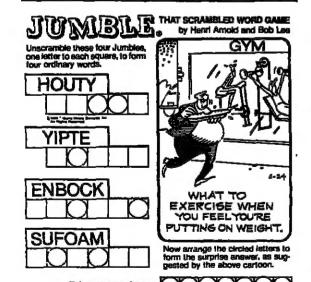
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O New York Times, edited by Eugene Maleska.

DENNIS THE MENACE



"MR. WILSON CUT "EM FOR YOU. I TOLD HIM YOU LIKE ROSES THAT ARE JUST ABOUT TO HATCH.



Jumbles: ONION SOGGY VASSAL NEWEST What a philanderer thinks the world does -OWES HIM A LOVING

WEATHER

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PEANUTS



BLONDIE I'O LIKE A PAIR OF DESIGNER JEANS WE DON'T GO

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FROM HOME,

WIZARD of ID





INTRAVENOUS

ANDY CAPP CHON THINK, GOING TO SAY .?









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Bulletin, as seen from an ailes

publication of her new book.







Airport, ran a headline that read: "Mac the Miserable."

Why was Mac deemed so Miserable? "He refused," the caption read, "to even reveal when girlfriend Tatum O'Neal would be arriving in London."

hour outside London. There, practice courts are plentiful, the atmosphere country-like and relaxed.
"I love the week at Eastbourne, said Martina Navratilova, who Sat-

about her bisexuality. Another tennis book is coming out this week, co-authored by Chris

rary, separation. They also were the subject of a

and cream. Private game on Satur-

Gossipy books? Ludicrous tab-loid headlines?

BOOKS

GERMANY TODAY: A Personal Report

By Walter Laqueur. 231 pp. \$16.95. Little, Brown, 34 Beacon Street, Boston, Mass. 02106.

Reviewed by John Gross

F RANZ ALT is a well-known figure on West German television, one of a small group of political commentators who enjoy a far wider following in the Federal Republic than any of their colleagues in the press. Some time ago, he brought out a book in support of the West German peace movement that, ac-cording to Walter Laqueur in "Germany To-day," "contained virtually nothing that had not been said many times before by other writers." Within a few months, however, it had sold more than 600,000 copies in hard cover; as the work of a television personality, it attracted greater interest than the political writings of Heinrich Böll, Günter Grass or any of their fellow literati.

Yet how many of us have ever heard of Franz Alt? The fact that his name means virtually nothing outside West Germany is a useful reminder of how relatively under-reported a country it is, and of how much we have to learn from a survey like Laqueur's — a shrewd, wellbalanced blend of reportage and analysis that sets recent developments in perspective and provides a good deal of unfamiliar and often intriguing information.

Laqueur, who has written many works of contemporary history, was born in Silesia. Though he left Germany after the Nazis came to power, he brings to this book an intimate knowledge of German culture and society as they once were; at almost every stage of his inquiry he is conscious of change, of the extent to which prewar Germany and the traditions it

preserved have gone forever.
At the end of World War II, for example, a quarter of the German population worked on the land. Today the figure is 6 percent and dropping; farming has become heavily mecha-nized — Laqueur met a successful dairy farmer who did not know how to milk a cow by hand — and the old-style village has virtually disap-peared. The Lüneburg Heath, not long ago still the wild and largely uncultivated region cele-brated in popular ballads, now includes among its amenities an amusement park. The Teutoburg Forest, sacred to generations of patriots as the place where Arminius defeated the Ro-

Solution to Friday's Puzzle AREAS ACAPOBEY
PATRI MANASSITE
AQUICKBROWN ZIPSTASFREE TIN DEFAME AMENSEAT ICON FOXJUMPEDOVER BALINESE ASCOLIMICAA THELAZYDOGS

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man legions, has been tamed; one of its main attractions is a wildlife park called Safariland. The transformation of urban life has been no less striking. City streets have more in common with their counterparts elsewhere in Western Europe than with streets in the same cities 60 years ago. Historic towns have changed character - Göttingen, once known almost exclasively for its university, is now an important engineering center. And as industry shifts course, the old industrial heartlands are no longer what they were. At Essen, only one coal mine is still operating, and Krupp has been replaced as the city's largest taxpayer by Coca-Cola, which has its West German headquarters

Most of the trends Laqueur describes have parallels in other advanced industrial societies For anyone worried about a specifically "Gen man problem"—as many Germans are—the picture he paints is basically reassuring. West German society as he depicts it is decent if rather dull; in spite of a few recent setbacks, its economy is still in good shape; democracy has taken root as it never did during the Weimer Republic. "All things considered, there is now not only more freedom in Germany than ever before in her history, but also more common visense and moderation," he writes.

Yet the old immoderation has not disaspeared entirely. Laqueur describes a meeting where he had a chance to watch some of the leading members of the Greens political alliance in action. They seemed to him to be gifted people, arguing their case persuasively, but what struck him most was "their excitement and shriliness; they seemed to be driven by some inner demons." Here as elsewhere he was moved to meditate on the perfectionism and relentlessness that have been such a feature of German history, the tendency to get carried away and look for extreme solutions.

The most obvious recent manifestations of this impulse have been on the fringes of youth culture and in intellectual life. Laqueur's two long chapters on "Young Germany" and on the intelligentsia are models of clear-beaded the intelligentsia are models of clear-headed diagnosis — all the more devastating, on the whole, for being soberly expressed. He discusses movies (there are some particularly earlightening comments on a prophetic film of the 1960s, "Tattooing"), upheavals in the education system, the spread of Cold War revisionism and the progress of violent protest movements, from the days of Rudi Dutschke to the more recent "Spoatis" and "Autonomen," loose-knit groups that have largely lettinged. loose-knit groups that have largely jettisoned organization and ideology. Without taking such developments lightly, he insists on the need to keep them in perspective, to see them for the limited affairs they are.

Frida

One is left wondering whether extremism and excess can really remain the monopoly of the more or less intellectual classes. In one of his most valuable chapters, Laqueur analyzes the new mood of patriotism in West Germany, and argues strongly against confusing it with the specter of a Nazi revival. As co-director of the Wiener Library, one of the world's foremost centers of Holocaust documentation, he is not the man to be complacent on such a subject, and the reasons he gives are compel-ling. Still, as he points out, West Germany is the land of the Fied Piper — and after all the arguments and statistics, a tremor of unease lingers on

John Gross is on the staff of The New York

BRIDGE

By Alan Truscott

ON the diagramed deal East is discreetly passed when both his opponents took action. He felt sure that his partner's hand was worthless and that there was no future in entering the proceedings.

North-South began to go off fore returned the heart eight, the rails when North made a and the declarer finessed the \$37643 forward-going bid of two diamonds. In the face of a misfit, a simple rebid of two spades or a preference to two hearts was indicated. As it was, South king, throwing a diamond and should have been content to allowing East to take the ace bid two spades. Instead he went haywire with a jump to could have saved a little by taking the ace and playing a third round of trumps, but he three hearts, suggesting a sixcard heart suit and extra valled a spade. West ruffed and ues. He had neither of these,

and as a result played in the led a diamond, allowing East wrong suit at too high a level.

East found his voice with a score a club at the finish. double, in spite of his poorly placed heart honors. When the

4 E Q 9 5 4 2 Q 4 3 • E J 10 9 8 spade ten was led to dummy's be sure about the location of the missing spade. He there-SOUTH (D) A 8 3 V A Q 10 9 6 4KQJ1

Wimbledon: Rain, Other Drips, Traditional

By John Feinstein Washington Past Service Washington Past Service
LONDON — All was calm in the House of Commons on Friday, the business of British government

being conducted in a quiet manner. Martina Navra-Outside, one tour bus after another pulled up to the curb, spitting out camera-toting tourists. Several yards away, traffic had stopped. Billowing black smoke was mixing with the rain and, as it cleared slightly, one could see a small truck, its front end on fire.

Many tourists on both sides of

the street stopped and began taking pictures even as fire trucks fought their way through the chaos. As one bobby tried to shout the spectators back, he suddenly found a camera

The fire was put out. The tourists got their pictures. The rain contin-ued. Big Ben read 11:42.

At 1:05 P.M. Saturday, after a climbed to where the reporters norning of rain and an hour of were seated. "I'm terribly sorry," morning of rain and an hour of sunshine, the tarpaulin was re-he said apologetically. But this is a moved at Centre Court of the All private game. Members only." England Teanis and Croquet Club.

A lone mower was brought out to don. Strawberries and cream. Rain. trim the court, on which there had Private game on Saturday. been no play since last July 8. Tradition holds that on the Satunderneath the stands: At 6-6, it urday before the championships began to rain and the match was begin, exactly 48 hours before the stopped. Not because the ladies first match, four female club mem-bers test the court with a set of court had to be kept dry. doubles. Their match gets the gress Tradition. Whether at Royal As- court in England."

"patted down" for play Monday. cot or at Buckingham Palace or at One who stayed away, arriving about their I Because of the rain, it was 2:52 the All England Club, one simply only Friday evening, was three tennis court.



They think this is part of the show or something," he said angrily. "Every bloody June it's the same match, complete with chair umpire practice time. There are only 17 and ball boys, the 15,000 Centre courts on the grounds, and Centre Court seats were empty. The scoreboard kept score, the ampire called for practice. A seeded player is their pictures. The rain contains the points but no one was there—

granted — weather permitting—

the points but no one was there—

granted — weather permitting—

until, at 1-all, four reporters wanain,

dered in near the top of the stands.

At 2-all, a young security guard together, they can get 60 minutes. If, as has been the case this year, there is little sunshine in the two weeks leading up to the tournament, the courts almost always are covered and everyone must scramble to find practice courts.

"I've driven 1,700 miles since we got here" two weeks ago "just look-ing for places we can practice," said lan Barclay, coach of sixth-seeded Pat Cash, a semifinalist last year. "I think we may have used every grass

P.M. when Mrs. I. Hume and Mrs. does not tinker with tradition. Tra- time men's champion John McEn-H. MacPherson took the court to dition makes this the premier ten-roe. His late arrival had little to do play Mrs. A.R. Mills and Mrs. B. nis tournament in the world. Yet, with practice time, though McEn-day. Rain. because this is Wimbledon, many roe and the British press have been First names? "Not available," an of the amenities players take for at odds since he first made the granted elsewhere do not exist here. semifinals in 1977.

Saturday morning, one of the British tabloids, over a front-page picture of McEnroe at Heathrow

BUT I WAS

FINE WHEN I WOKE UP

For the women, the week leading up to the championships is not so difficult. Most play in a grass tour-nament at Eastbourne, about an

urday won the tournament for the sixth time. "I especially like it be-cause every time I've won it. I've gone on" — five times, including the last three — "to win Wimble don. It's important to me." This week may not be so easy for Navratilova. Undoubtedly, she will

breeze through her matches as she always does the first week at Wimbledon. But with her autobiography having just hit the shops here. Navratilova will be questioned about the book, in which she talks

Evert Lloyd and husband John. Much of it is about their six years of marriage. Including last year's much publicized, although tempo-

huge piece in Sunday's London Times, 'The Lloyds of Wimbledon," a much-ballyhooed "tell-all" One who stayed away, arriving about their lives on and off the Wimbledon, Rain, Strawberries

SPORTS BRIEFS

Frost, Edwards Lead U.S. Golf Tournament ATLANTA (UPI) — David Frost of South Africa shot a bogeyless 8-under-par 64 Saturday to tie Danny Edwards for the third-round lead in the \$500,000 Atlanta

Edwards shot 68. He and Frost, who joined the U.S. tour for the first time this year after three years on the European circuit, both closed with birdies to stand at 202 after 54 holes. That gave them a two-stroke lead over two-time PGA champion Ray Floyd and second-round leader Steve Pate. Floyd shot 68, Pate 71.

Pate, with the two best rounds of his six-month pro career, held a one-stroke lead

over Edwards on Friday by backing up an opening 67 with a 66. Last week's U.S. Open runner-up, Tze-Chung Chen of Taiwan, faded from the spotlight when lasticed to 75 after an opening 68.

Ueberroth Says Pirates Cannot Be Moved

PITTSBURGH (AP) — The commissioner of major league baseball Peter Ueberroth, said Friday he would veto any attempt to move the financially troubled Pittsburgh Pirates to another city and warned cities in search of major league franchises not to "raid other communities."

"I would not approve the sale if outside groups want to move" the Pirates, he said. "We're not going to use moving wans for baseball teams."

Pershing Square Sets Pacing Stakes Marks

NEW YORK (AP) — Pershing Square, a 3-year-old colt driven by Bill O'Donnell, set stakes and track records Saturday night at Roosevelt Raceway in winning the \$482,560 Messenger Stake, the first leg of pacing's Triple Crown.

Pershing Square trailed Dragon's Lair, the 3-5 favorite driven by Michel LaChance, before winning a furious stretch duel by a head. The winner covered the mile (1.6 kilometers) in 1:52 2/5.

For the Record

Barry McGuigan, the new (eatherweight champion, was officially notified Friday by the World Boxing Association that he must defend his title against top-ranked Bernard Taylor by Oct. 8.

The Belgian Grand Prix, postponed June 2 because of a deteriorating track, has been rescheduled for Sept. 15, according to Bernie Ecclestone, president of the other Formula One Constructors Association.

Formula One Constructors Association.

Five Bulgarian soccer players — Plamen Nikolov, Bonislav Mikhailov, Emil Velev and Emil Spasov of Levski Spartak, and CSKA's Christo Stoichkov — have been "excluded from soccer for life," the Yugoslav news agency, Tanjug, reported. Their teams were disbanded last week after a violent cup final.

Marco Lauria, 60, an Italian doctor, says he will bicycle the 1.550 miles to Liverpool carrying a message of friendship from Milan's mayor to the mayor of the English city whose soccer fans were blamed for the Brussels riot last month. (APC)

Ouotable

Billy Gardner, fired as manager of the Minnesota Twins, on being asked if he had any advice for his replacement: "None. He probably operates different than me-Besides, if they wanted my advice they wouldn't have fired me."

Company of the second

SPORTS

NCAA Approves Crackdown On College Rules Violators

NEW ORLEANS - The National Collegiate Athletic Association has overwhelmingly approved the strongest sanctions it has ever enacted against colleges and coaches who violate rules governing recruiting, amateurism, academic standards and ethics.

The sanctions, approved Friday by NCAA member institutions at a special convention, will take effect Sept. I. They include suspension For an athletic team for as long as two seasons if it is found guilty of major infractions twice in a five-

year period. Facing what some convention delegates have described as an "integrity crisis" in collegiate athletic programs, the representatives also agreed to suspend or dismiss any coach involved in major violations and to suspend the college's right to recruit athletes in the sport. A repeat offender would be prohibited from awarding new athletic scholarships in the sport for two years,

The special meeting — only the fifth the NCAA has held since its ounding in 1906 - was called by he association's 44-member Presiients' Commission, which was conperned about a series of athletic candals in recent years. The com-nission, made up of university and ollege presidents and chancellors, submitted 12 proposals at the

SCOREBOARD

(First Game)
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mon (6), Garber (7) and Owen;

FRIDAY'S RESULTS

Fromning, Power (8) and Knicety, W-Brown

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Atlanta 010 911 828—5 12 2

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Carrip, Forster (4), Sutter (8) and Benedict;
Tibbs, Hume (7), Franco (9) and Van Garder,
Cricely (9), W—Carrip, 2-2, L—Tibbs, 4-9, 5v—
inter (10), HRs—Atlanta, Murphy (17), i
Vashington (7).*

**Alexis 988 998 212—4 13 8
**Alexis 161 100 485—7 16 1
**Eckersiev, Smith (7), Prezier (7) and Lotte;
Joshins, Compbell (9), Dayley (9), Lotti (9)
and Nigts, W—Kapshire, 4-5, L—Eckersiev, 7-

Aftes, Guerrero (15).

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Reuschel, Robinson (7), Holfond (6), Guante

**P., Scurry (12), Winn (14) and Pena; Denny,

iorman (8), Rowley (9), Tetulve (10),

IUClar (12), Anderson (16) and Virali, Dicz.

on Francisco 918.89 500—1 3 1 on Diese 91.89 500—1 3 1 on Diese 91.89 500—1 3 1 Blue. Williams (5), Akinton (4) and Brenty; Volna, Staddard (7), Lefferts (9) and Bocty.

AMERICAN LEAGUE

Hurst, Clear (6) and Sulthan; Key and Mar-

Baseball

Friday's and Saturday's Major League Line Scores

meeting. Each was approved al-most unanimously by the 435 they would attend that school. The schools represented at the conven-inducements often included cash,

"I do not believe I can overstate the level of concern that presidents and chancellors feel regarding the and chancellors feel regarding the integrity crisis in college athletics," Dr. John W. Ryan, president of Indiana University and chairman of the commission, told the gathering. He said it was the purpose of both the convention and the comparison, "to do as much as legislating the do as much as legislating the do as much as legislating the documents." mission "to do as much as legisla-tion can do to eliminate corruption

in intercollegiate athletics." There are 797 member institutions in the NCAA. All 284 Division I members — those schools with major athletic programs — were present, aware that the main thrust of the legislation was direct-

ed at their programs.

Among the delegates were a record 198 college presidents and
chancellors, who dominated the session. At the regular annual NCAA conventions athletic directors and faculty representatives are more in evidence and often control the decisions on the floor.

Since 1980, the NCAA has placed at least 20 teams on probation. Violations in recent years have occurred at such schools as Southern California, Southern Methodist, Florida, Arizona State

Some of the colleges cited gave

Mason, Rosema (4), Schmidt (8) and Slovahi: Violo, Davis (9) and Loudner. W—

McGregor, Age (8) and Dempsey: Dorwin, McClure (4) and Moore. W. McGregor, 5-4. L.—Dorwin, 6-4. Sv.—Age (2), HR-Milwaykee,

automobiles, jobs for friends of athletes, apartments and other items of material value. Many programs were also cited

for violations of NCAA academic regulations, such as changing class-room transcripts to make an athlete eligible to compete.

Often athletes at cited schools had been assigned to summer

school makeup courses in order to make them eligible. The athletes never attended those courses but were given passing grades anyway. Southern California, for instance, admitted more than 300 athletes during a 10-year period who did not meet minimum aca-

demic standards for admission. In a more recent scandal, members of the Tulane University basketball team were indicted on charges of shaving points. It has been charged that drugs and cash

were used as payment to them. Ryan said the Presidents' Commission will soon address such problems as drugs in collegiate ath-

Among the actions taken by the convention were the following: • It ruled that the first major infraction in a five-year period would be penalized by a minimum two-year probation in the sport with a one-year moratorium on television games and postseason competition. Coaches and other staff members will be subject to suspension without pay for one year and may not recruit for a year.

• It adopted a resolution calling

for sanctions to be created for athletes who knowingly violate NCAA rules by such actions as accepting material benefits to attend a certain institution. This is the first attempt to include an athlete directly in the penalties handed out by the NCAA. It is expected that such a proposal will be offered at the NCAA's regular annual convention in January.

• It required that all Division I colleges submit an annual report to the NCAA showing that entering freshmen athletes comply with academic standards for entrance and showing the rate of graduation of

Major League Standings It made it mandatory that an independent audit be conducted of a college's athletic department finances, addressing, in particular, the use of donations from booster or fan clubs. The college president or chancellor will be specifically

responsible for these finances.
The provisions of the repeat-offender rule are retroactive. If a school's team sport had been cited for a violation in September 1983, for example, its program will be suspended for at least a year if it commits another major infraction

In the past, there were no speciformoles produce five 20-game winders and two Cy Young Award winders and two Cy Young Award winders and two Cy Young Award winders in his six years as their past, and the second of severity of penalties. It could put of severity of penalties. It could put or three years or longer. It could of 25 games.

forbid television appearances, bowl Gardner, 51, became the Twins' games, and could wipe out vic- manager on May 22, 1981, after a stitutions have been put on probatwice within a five-year period, but straight before losing 10 in a row. their programs were not suspendDuring the winning streak, the
ed.
Twins led the American League in

Recently, he became the NCAA

Bile, a sophomore who carried

Los Angeles Times Service

sailor made his fourth try last week and wound up

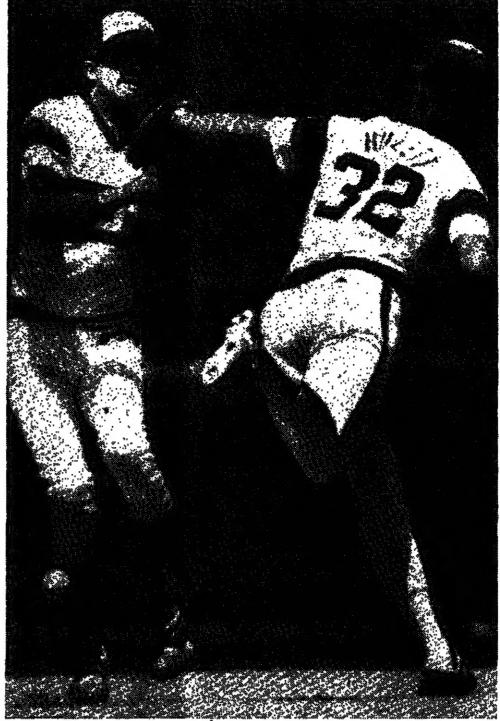
Macnamara, 65, an unemployed stone cleaner,

His outboard engine failed almost immediately,

(1.5-meter) craft named Marmadnke Jinks TV.

backward, and he went to sleep.

champion in the 1,500 meters.



Tim Hulett and Chicago teammate Ozzie Guillen nearly collided going for Bob Boone's pop-up, but only thing that hit was ball and ground during Saturday's game against Angels.

Cards Hand Cubs 11th Straight Loss, **Move Into 1st Place**

Compiled by Our Staff From Dispatch ST. LOUIS - Curt Ford, in his first major-league at bat, drove in the winning run in the 10th inning Saturday night to give the St. Louis Cardinals a 2-1 victory over Chicago, handing the Cubs their 11th

straight loss.

The Cubs, who have the longest losing streak in the major leagues this season, managed only three hits. They have lost all five games against the Cardinals this season. The Cardinals' seventh victory in eight games put them in first place in the National League East, one-half game ahead of Montreal. The Expos defeated the Mets, 5-4, in a

10-inning thriller in New York. Ozzie Smith led off the home 10th with a single to center and took second on a wild pitch by the Cubs' reliever, Lee Smith. After Tom Nieto struck out, Ford singled

to score Smith.
"I told him in the eighth inning, You're going to win the game for us," said the Cardinals' manager,

Whitey Herzog.
Ford was called up from Louis-ville, Kentucky, of the American Association on Monday to replace Terry Pendleton, who was placed on the 15-day disabled list with a

pulled hamstring.
"No, I wasn't nervous," Ford said. "I might be nervous twice the next time. I like to hit in situations like that every time I walk between the lines, I want to be a

hero, the big shooter."
Willie McGee of the Cardinals had two hits in four at-bats, the sixth game in a row he has had two

In New York, second baseman Wally Backman's error on pinchhitter Terry Francona's ground ball allowed Dan Driessen to score from third base as the Expos ended the Mets' five-game winning

Driessen opened the 10th with a double and advanced to third on Hubie Brooks' ground out to first. After Tim Wallach was walked in-

A's 9, Indians 1: In Oakland

California, Donnie Hill scored twice and had two RBI and Don Sutton recorded his 286th major

homer of the year for Oakland.

SATURDAY BASEBALL tentionally, Francona hit a doubleplay ball to Backman, who bobbled

it and allowed Driessen to score. The Mets had taken a 3-2 lead in the seventh on Rusty Staub's pinch-hit three-run homer, his 94th as a pinch hitter putting him 12th on the all-time major league list. The Mets scored their fourth run that inning on a walk to Keith Hernandez and singles by Gary Carter and Danny Heep.

But the Expos got a run in the eighth, then tied the score in the ninth on Steve Nicosia's two-run double after Wallach opened with a double and pinch-hitter Skeeter

Barnes singled.

Reds 4, Braves 3: In Cincinnati,
Dave Parker's third hit of the game, with one out in the ninth, scored Eddie Milner from third and beat

Padres 2, Giants 1: Steve Garvey homered with one on in the fourth and Eric Show and Tim Stoddard held San Francisco to two hits before 53,375, a San Diego record for

a regular-season day game. Philises 5, Pirates 2: Juan Samuel hit his sixth homer, with two on and one out in the bottom of the ninth, to lift Philadelphia past Pittsburgh.

Dodgers 6, Astros 3: In Los Angeles, Ken Landreaux and Mike Scioscia each drove in two runs against Houston and Fernando Vazuela struck out a season-high 14. New York's Dwight Gooden and Pittsbugh's Jose DeLeon have also fanned 14 this year.

Red Sox 5, Bine Jays 3: In the American League, Bill Buckner singled home two runs in the eighth inning in Toronto as Boston rallied in a game delayed more than three bours by rain. Toronto's manager, Bobby Cox, was ejected during the fifth-inning rain delay for arguing that the game should be halted. The Blue Jays led 3-2 at the time.

Yankees 4, Tigers 0: Ron Guidry checked Detroit on four hits and

Don Baylor hit a two-run homer for visiting New York. Guidry pitched his second straight shutout and did not allow Detroit more

than one hit in any inning.

Angels 6, White Sox 3: California's Juan Beniquez tripled and hit a two-run homer and Mike Brown added a two-run homer in Chicago. A's 6, Indians 4: Carney Lansford's 10th homer, a two-run shot in the 11th, beat Cleveland in Oakland, California,

league victory by bearing Cleve-land. Dave Kingman hit his 17th Mariners 2, Royals 1: Bret Saberhagen pitched a perfect game for seven innings in Kansas City. Mets 6, Expos 3: In the National League, in New York, Mookie Wil-Missouri, but balked home Seatues Gorman i non ahead run in the eighth.

Twins 3, Rangers 2: In Minneapolis, Minnesota, Gary Gaetti singled in one run and Kent Hrbek doubled in two in the sixth to beat

Orioles 3, Brewers 2: Cal Ripken singled home Lee Lacy with the winning run in the sixth as Baltimore won in Milwankee. (UPL over seven innings for the Reds. Cardinals 7, Cubs 5: In St. Louis,

loaded in the seventh inning to beat Chicago. Kurt Kepshire scattered 10 hits over eight innings for the triumph, his second over the Cubs was placed on the disabled list Satand Dennis Eckersley in less than a urday because of an injury to his pitching shoulder, The Associated

Padres 6, Giants 1: Kevin Press reported. McReynolds had three hits and two ter hit a grand slam against San Francisco.

Dodgers 7, Astros 2: In Los An- of the left rotator cuff.

Phillies 4. Pirates 3: Juan Samu- allowed 68 hits.

Reds 4-4, Braves 2-5: Claudell Washington tripled and hit a tworun homer as Atlanta won the second game of a doubleheader in Cincinnati. In the opener, Dave Parker hit a three-ron homer and Tom Browning scattered six hits

Jack Clark tripled with the bases

Carlton on Disabled List For the first time in his 20-year major-league career, Philadelphia Phillies left-hander Steve Carlton

Officials of the National League RBI in San Diego and Jerry Roys- team said the four-time Cy Young Award winner was put on the 21day disabled list because of a strain

geles. Pedro Guerrero got three hits, including his 15th home run this year, to help defeat Houston.

Despite a 2.43 ERA in 77 2-3 brings, Carlton, 40, is 1-7 this seaton as the son after starting 13 games. He has

Carlton has not been throwing as of the 16th scored Derrel Thomas hard as he has in previous years, from second base to beat Pitts- and he had some trouble with the burgh in Philadelphia. (UPI, AP) left shoulder in spring training.

Twins Fire Gardner, Hire Miller to Manage

MINNEAPOLIS - The Minnesota Twins, struggling to stay out of the cellar in the American League

West, fired their manager, Billy Gardner, Friday night and re-placed him with the Baltimore Orioles' patching coach. Ray Miller.
The Twins responded by winning,
3-2, against the Texas Rangers.
Miller, 40, had never managed in

In the past, there were no specif- Orioles produce five 20-game win-

Until their victory Friday night, a school on probation for one, two the pitching-poor Twins had lost 19

tories. Wichita State, Southern 20-year playing career and 12 years Methodist, Oklahoma and other in- as a manager in the minor leagues. This season, the Twins lost nine tion in football or other sports straight in May, then won 10

league pitching instructor since Key pitched a five-hitter in Toron- Rafael Santana drove in the go1980. Refael Santana drove in the goto and Lloyd Moseby had three hits ahead run in the sixth as the Mets

Salas hit a two-run single with two triumph and second complete out in the bottom of the ninth to game in lowering his ERA to 2.30. beat Texas. The Rangers' Charlie Hough had

carried a six-hit shutout into the inning, but walked lead-off batter Tom Brunansky. After Roy Smalley singled, Brunansky was forced at third on Gary Gaetti's sacrifice Cooper drove in four runs with

Tim Tenfel walked to load the batters to the plate in a nine-run bases, Smalley scored on pinch-hit-sixth inning in Milwankee. Balti-

ter Randy Bush's ground out to make it 2-1 and Salas hit a 1-0 pitch to right to score Gaetti and Teufel. FRIDAY BASEBALL

batting. But the team earned-run average has ballooned to the worst in the league.

Tigers 6, Yankees 4: In Detroit, Lon Whitaker hit his third home in the league.

m the league.

Miller has been with the Baltimore organization since 1971, folGibson clouted a mammoth homer lowing a career as a minor league in the seventh against New York, pitcher.

Rickey Henderson had two homers Miller was replaced in Baltimore for the Yankees,

In Miller's first major-league and two RBI to help beat Boston. beat Montreal game as manager, the Twins' Mark Key recorded his fifth consecutive Reds 4-4, Br

bunt attempt.
Tim Tenfel walked to load the

go through the NCAAs. Now, ev-

nature not to. But I tell people who

fortable in the United States, and

frankly misses Somalia, where he

family's import-export business af-

cent arrival and trying to learn the

confusing business of being a col-

lege freshman in the United States.

he said. "The climate, the food, all

however, Cook was virtually Bile's

some of the goings-on in his dorm,

There were a lot of things he

and took refuge with his coach.

"At first, I had culture shock,"

plans to return and go into his

now, he's fasting."

in this country."

Somalian Finds Winning Races Easiest Thing in U.S. ships and forgo competition in any said Cook. "It's a Friday night at more races until the summer.

"You don't go crazy with Abdi,"
Cook said. "If I go to war with him,
I'd lose in the long run because I'd lose his trust. I said, 'Hey, let's just go through the NCAA' Now.

Angels 5, White Sox 2: In Chicago, Mike Brown hit a two-run triple

and Juan Beniquez collected four

consecutive singles to lead the An-

gels into first place in the AL West. Brewers 13, Orioles 10 : Cecil

three hits and the Brewers sent 14

Bile is training - while he is erybody wants him to run. I want fasting - for two meets in Europe el's one-out double in the bottom him to run, too. It's against my and Africa this summer, with the aim of competing in the World Cup want him that he's not running track meet in Australia in October. ow, he's fasting."

To him, his religion and running
Bile has not always been comgradually has realized.

Until his NCAA champiouship. Bile's career had been a strange and not always successful one. One ter earning a business degree. The concern for Cook has been that worst time was when he was a re- Bile is 6 feet 2 (1.8 meters) and 150 pounds (68 kilograms). Bile puts in considerably less time running than do most of his counterparts because he has been accident prone. At the NCAA meet last year, he that stuff. Everything was new. I was warning for the final when he was trying to learn the way of living stepped on a switch box and broke

a bone in his foot. He missed most There are two other Somalian the Somalian flag in the Los Angeles Olympics last summer, was the first foreign track renner to be restar athlete at times. Prior to his med Ismail — both largely recruitthought it was empty, but it was a full, 50-gallon (52-liter) container. "Theater, right?" Cook said. "We thought it was a nice, safe ed by Bile. Prior to their arrival, only close acquaintance. Serious "We about his faith, Bile was shocked by class."

The most disappointing incident of his career, however, came during the Los Angeles Olympics. Bile ran well in the semifinal heat of the 1,500, only to discover afterward he had been disqualified. A Brazilian had fallen during the race, and Bile

was accused of bumping him.
"The guy who fell down was run-ning behind me," he said. "How do you push someone when they are behind you? I just know that I made the final, and it was tragic." The incident makes the 1988 Olympics all the more inviting Cook contends he could be the favorite.

a little luck, Abdi is going to be one of the great milers in the world," he said. "I knew all the time I had an athlete. It's just been a question of getting him to the starting line."



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DRIS BRIEFS

102 040 870-4 & G Niekro, Bordi (8) and Hossey; C'Neal, Her-ander (8) and Parvish, W—C'Neal, 2-1. L liekro, 7-4. Sv—Hernandez (14), HRs—New 'ork, Henderson 2 (9), Detroit, Whitaker (12), .'ork, Henderson 2 (9), Defroit, Whitaker (12), iBison (14). Evens (13). iBiformis 81 803 801—5 18 8 e-ibicago 902 808—2 7 1 McCaskill, Clements (8), Moore (9) and done; Bannister, Netson (6) and Fisk. W— &Caskill, 2-5. L—Bannister, 5-5. Sv—Moore 7 3). HR—Colliernia, DeCincas (7). Mary of the · 1

SATURDAY'S RESULTS
NATIONAL LEAGUE
961 961 180-3 6 2
14 82 508 191-4 12 9

v W-Robinson, 1-0, L-Forster, 0-2, HRs-Vitonita, Horner 2 (9), ian Francisco 999 918 985-1 2 8 ian Diego 986 206 805-2 4 8 Loskey, Davis (8) and Braniv; Show, Shod-sorti (9) and Kannedy, W-Show, 6-4, L-Los-cey, 1-9, Sw-Staddord (1), HR-Son Francis-zo, Davis (7), Son Diego, Garvey (1)), Pittsburch 280 080 908-2 5 8 *Mitodelphila 908 108 113-6 9 1 Accellitarra, Robinson (8), Candeloria (9)

Annireal 818 619 611 1—3 19 1
dew York 900 800 400 8—4 8 2
Petmer, Reordon (7), Burke (7), St. Clotre
i, 9) and Nicosin: Derfine, Crosco (8), McDow-11 (9) and Corter. W—St. Clotre, 2.1. L—Mclowell, 5-2. HR, New York, Stoub (1).
Inicoso 900 918 800 8—1 3 9
ILLouis 900 900 800 800 8—1 3 9
ILLouis 900 900 800 800 8—1 3 9
Sutcliffe, Smith (9) and Lake; Forsch, Horon (5), Dovley (9) and Niela. W—Dayley, 1-9,
—Smith, 3-2,
tousted 900 100 620 900—6 8 1
glyon, Colhoun (7) and Bolley; Valenzusia
und Scioscia. W—Volenzusia, 7-2, L—Ryon, 8-

AMERICAN LEAGUE

Internal Selection Selecti 700 102 000-4 11 1

Jaytor (12).

Jesien 710 800 821—5 7 8
Forento 810 200 800—3 8 3
Nipper, Crowford (5), Stenley (7) and Gedmon; Ausselman, Actor (6), Lavelle (8), Coutry (9), W-Stenley, 3-1, L.—Actor, 4-2, HRsglion, Borrett (2), Torento, Fernandez (2),
Jéveband 808 809 801 80—4 8 3
Actioned 908 821 819 82—4 12 2
Ruhle, Thomsson (7), Clork (8), Woddell
8), Easterly (9), Baritery (9) and Willert,
Jayto (91; AcCoffy, Alterton (5), Hayell (9) to (91: ACCOSTY, Atherton (5), Howell (9)

Football

Les Angeles Cincinnoti Houston Atlente

USFL Standings

BASTERN CONFERENCE Althreukee 106 629 615-13 15 | X-Ookland 12 4 1 23 | X-Ookland 12 1 0 25 | X-Isoston 18 7 8 .58 | X-12 4 1 235 442 338 11 4 6 447 427 347 18 7 0 589 523 357 8 10 8 444 376 485 4 11 0 255 262 401 4 13 0 255 262 401 3 15 0 167 264 456

Tennis

romen's Championships (of Eostbourne, England) SINGLES

Mortine Nevratileva (1), U.S. det. M sevo (3). Bulgaria, 6-1, 6-2

6-4.
Finels
Novrofilova def. Sekova, 6-4, 6-3.
BOUBLES
Samifileds
Martina Novrotilova and Pom Shriver, U.S.,
def. Barbora Potter and Sharon Walsh-Pets.
U.S., 6-2, 6-4.
Kuttiv Jandan, U.S., and Elizabeth Smyllova,
Australia, def. Hong Mandillione, Chernosia. , def. Hone Mandilkove. Czecnoslo-d Wendy Turnbuil, Australias, 6-2, 5-

Transition

BASEBALL Alterican Langue
Alt.WAUKEE—Placed BID Schroeder,
extener, on the 15-day disabled list with a streined right ellow.

SEATTLE—Activated Mike Magre, pricher, from the 15-day disabled list. Optioned Bill Wilkinson, sitcher, to Colsory of the Pacific

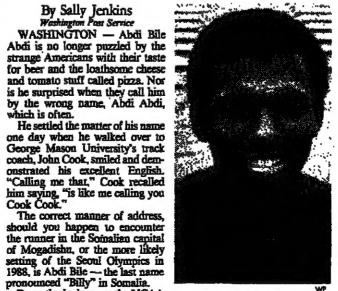
Coast League.

Mattened League

NEW YORK—Recoiled Terry Leach, pitcher, from Tidevoter of the International League. Optioned Joe Samble, pitcher, to Tidevoter.

PITTSSURGH—Announced that Johnnie. LeMaster, shortston, has been put an life 15-day disabled list with an injured calds. Re-colled Sommy Kholifu, shortston, from the Pecific Coast Laugue.

FOOTBALL . Moster. SAN DIEBO—Signed Terry Lawls, corner COLLEGE . CREIGHTON-Named Tony Box



Abdi Bile Abdi

cruited by George Mason, which he 1,500 heat in Austin, Bile startled chose because, among other rea-sons, it was near Washington and thus close to the Somalian embas-

sy. Cook recruited him sight unseen on the advice of a Somalian runner They finally comp on the advice of a Somalian runner at Fairleigh Dickinson University in Rutherford, New Jersey.

If Bile had some trouble adjust-

saw that hurt him — let's face it, the drugs, the alcohol, the sex,"

He Might Try Changing the Boat's Name On waking, he had no idea where he was and, LONDON - Maybe Ted Macnamars was not having no distress flares, he began flashing a hand torch. This was spotted, and he was rescued by the destined to cross the Atlantic, The intrepid British

Campbeltown coast grand.

He had traveled four miles - in the wrong

set out from Campbeltown, Scotland, in a five-foot This was Macnamara's first attempt since last year, when he set out from Land's End, England, and he hoisted sail. But his boat started drifting in a barrel. When he boarded the barrel, it capBy Eric Pace

New York Times Service THE young Emperor Nero became known as I one of the worst Roman rulers by ordering his mother's death, persecuting Christians and Jews, and committing other cruel and bizarre deeds; it has been suggested that he declaimed poetry (not, as the popular saying has it, that he fiddled) while Rome was ablaze with a fire he had caused.

Nero's behavior has come under fresh scholarly discussion, nourished by recent study of ancient Roman chronicles, sculpture, ruins and coins. Though he is still seen as profoundly ruthless, new research makes him seem more understandable by emphasizing that his reign was shaped by his serious love for the arts, among other personal traits, and by complicated political problems.

Stepson of the Emperor Claudius, he was born in A. D. 37, became emperor in 54 and reigned for 14 years. Widely hated, and challenged by revolts. he committed suicide in A. D. 68, ending a dynasty begun by the Emperor Augustus.

A scholar at Oxford University, Miriam T. Grif-

fin, maintains that Nero suffered from a "lack of intellectual equipment to deal with the strains of the complex political system" of his day.

Griffin, an American who is a tutor in ancient history and a fellow of Oxford's Somerville College, is the author of a new book, "Nero: The End of a Dynasty," which weighs ancient writings about him. It also details his artistic enthusiasm, citing coins and products of the arts during his reign. Other experts say the book breaks new ground in the emphasis it puts on weaknesses in the Roman political system.

Professor Glen Bowersock, who specializes in ancient history at the Institute for Advanced Study in Princeton, New Jersey, said earlier writings had "run the garnut from sensationalist accounts of the madman on the throne of the Caesars" to more balanced appraisals of a "policy-making ruler."

We've gone back and forth over the decades and centuries," said Bowersock. "The popular image of Nero has always been the much darker one, and I think that's much nearer the truth." Even so, he noted. Nero's reign was "a great time for literature" and some of the emperor's deeds "were welcome to many people," including "taking the Greeks out from the rule of the Roman Empire and making them a free people." Bowersock contended that at the beginning of

his reign Nero "was already somewhat unbalanced, and by the end he was a monomaniac with no regard for human life - a monster of the order of Idi Amin." But Griffin, in a telephone interview from her Oxford home, took a somewhat less unfavorable view. "Nero was a man of taste, rather than intellect," she said, "and by the time of his death, I think, he was losing his mental balance.

"I don't think he was actually insane, but I think he was in a panic. He didn't respond very effective-ly" to a threatened rebellion "and he tended to ly" to a threatened repeated have feelings of persecution even before it."

Drawing partly on recent scholarship about the coinage of Nero's time, Griffin's book emphasizes what she calls his "genuine passion for the visual, musical and literary arts." Andrew Wallace-Hadrill, a lecturer in ancient history at the University of Leicester, England, noted that Griffin's study, published in the United States and in Britain by Yale University Press, "takes that side of him more

Scholars have been trying to extract clues about Nero's character from sculpture portraying him as a boy. Cornelius C. Vermeule, curator of classical art at the Museum of Fine Arts in Boston, wrote in The American Journal of Archeology in 1982 that a depiction on a fragment of an ancient marble relief had "something spoiled and petulant about the face." The Metropolitan Museum of Art has a bronze portrait bust on display. The assistant cura-tor of Greek and Roman art. Maxwell L. Ander-son, noted that the sculptor had given his young subject a sober expression, as was the custom in almost all imperial portraits of that period. The portrait, he said, "doesn't seem to show any of the character that eventually revealed itself."

A long-held view, buttressed by ancient writings, has been that Nero's reign started well, after his mother, Agrippina, had him made emperor. John Pollini, a professor of classical art and ar-chaeology at Johns Hopkins University, said: The first few years were pretty good; Nero had good advisers." Yet Bowersock noted that, within a year of taking power, Nero caused the death of Claudius's son Britannicus, who had been expected to become emperor. Bowersock argued that "what we see in the more sensational events of Nero's reign - the murder of Agrippina, the fire, the persecution of the Christians - all of that was there from

Ill feelings between Nero and his mother are presented in Griffin's book as involving Agrippina's jealousy of Acte — an imperial freedwoman with whom Nero had an affair - and of Poppaea Sabina, who became his second wife.

Wallace-Hadrill found this view unsatisfactory, seeing the killing of Agrippina as "part of a pattern of court intrigue, as a political move, an attempt to



Bust of Nero when he was a teen-ager.

protect his political security." And Pollini emphasized the power Agrippina wielded over her son.

Five years later, in A. D. 64, fire laid waste to much of Rome. As Griffin puts it in her book, some ancient writers "imagine Nero indulging in an act of wanton and malicious destruction." One "in fact says that the pretext was Nero's distaste for the ugliness and chaos of old Rome."

Pollini, emphasizing that influential ancient writers had a strong anti-Nero bias, said, "I don't believe at all that Nero had anything to do with the burning of Rome." Griffin says "the rumors of arson" deserve skepticism, and she cites recent findings indicating that Nero was fond of some of his quarters that were damaged by the fire, because subsequent building was similar.

"The idea of his aesthetic glee" at the fire, Griffin writes, also seems to lie behind the story that Nero, "on hearing the news, recited the 'Cap-ture of Ilium' as he watched the flames." One ancient author reported the story as rumor, she notes, and two others presented it as fact and said Nero gave the recital in public, dressed in stage costume. Wallace-Hadrill and Pollini agreed that the story was unlikely.

In the end Nero could not overcome underlying political problems. What is new about Griffin's account, Wallace-Hadrill said, "is the greater emphasis she puts on weaknesses inherent in the political system of the early Roman Empire in accounting for Nero's downfall - and the way she relates the weaknesses in his character to the broader context of the weaknesses in the system."

Bowersock said: "One of the points I would stress particularly, and I miss a little in Miriam's book, is the importance of the armies on the periphery of the empire. What really began to make the domination of Nero totter were the movements of Roman troops on the frontiers. In other words, this was a case where the periphery contributed to the overthrow of the center.

It Ain't Necessarily BBC* whom they spoke was not English pronunciation as laid down by the OED, Is there, I asked, no supervi-ONDON — "It's a formidable undertaking, illustrative of the sion? Are there no guidelines?

LANGUAGE

By Henry Pleasants

electoral system."

11 of those 40 words.

accent on the first syllable.

I thought for a time that these -

just another example of such com-mon variances between American

and British English as those en-

countered in vocabulary: lift for

elevator, bonnet for hood, boot for

shoe or trunk compartment, ring for phone or call, and so on, all easily

accommodated by Britons and

Americans resident for any length of time in one another's countries.

English Dictionary indicated oth-

erwise. Most, if not all, syllable

stresses or accentuations given in

the OED conform to what I was

taught at home and at the Mont-

gomery County Day School in Wynnewood, Pennsylvania. What I

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problems associated with irrevocable decisions, comparable to the lamentable and probably irrepara-There are, indeed. BBC has a ble consequences of chivalric be-havior inspired by despicable dis-ferred, and the Pronunciation Unit criminatory attitudes, its has at its collective elbow, as of implications applicable to many other problems arising from our ken Word — a BBC Guide, "Compiled by no less an authority than Robert Burchfield, chief editor of Don't try to make sense of it. the Oxford English dictionaries.

Judging by what we hear on BBC

TV and radio, not much use is
being made of either the Pronunci Just read it aloud and see if you entertain any doubts about which should be the accented syllable in

As a longtime resident of London and a regular listener of BBC and the independent ITV, I have ation Unit or Burchfield's guide. Under "Pronunciation" (as distinct from "Vocabulary") Burchbecome fascinated with accents. field lists more than 100 words, not because of what they tell me those, as he puts it, "that give the about the speaker's geographical origin but because of where the most offence when pronounced otherwise than as indicated below," stress falls in multiple-syllable and provides what he tolerantly designates "a preferred pronuncia-My fascination began, I think, tion," His preferences follow, hardthe first time I heard a newsreader ly surprisingly, the stresses asspeak of a controversy. As a native of Philadelphia's Main Line, I was signed by the OED.

There are surprises, however, for brought up to say controversy, the Americans and probably for many British, too, although rarely in the matter of stresses. I certainly had More recently I have begun to make note of stressed syllables in not expected to be told that are other words that do not accord should rhyme with bet, or that both with what I have always assumed to trait and restaurant should be probe correct. I wince when I hear, as I nounced without sounding the fioften do: aleatory, applicable, cen-trifugal, chivatric, comparable, de-spicable, discriminatory (the a as in nal t. Nor have I heretofore pronounced homogeneous and homosexual with the first syllable rhyming with Tom.

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may), distributed, elec-toral, exemplary, formidable, illus-trative, intimidatory, irreparable, irrevocable, lamentable, pyramidal (the i as in sigh), urinal (ditto), etc. About stresses and accents Burchfield is aware that language is always changing, hence his lement decision to prefer rather than to dictate or prescribe. And change is sometimes acknowledged and imto my ears - deviations might be plicitly accepted, however refuetantly, as with, for example, medicine. He prefers two syllables, but adds in a footnote that the word "is so often pronounced as three syllables, even by doctors, that the use of the three-syllable form may go unnoticed if used consistently.

> One admonition may come as a surprise to Americans. "Avoid," be says, "the American 'ar' as in temporarily and necessarily."

> Would be rob us of "It Ain't Necessarily So"?

Henry Pleasants writes primarily about opera and music and is the author of several books on these subwas hearing week after week from author of several books on these sub-BBC and ITV staff and those with jects. William Safire is on vacation.

Did Nero declaim while Rome burned? Scholars doubt it.

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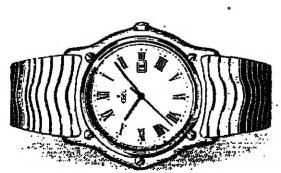
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